

108TH CONGRESS
2D SESSION

H. R. 3821

To amend title II of the Social Security Act to provide for individual security accounts funded by employee and employer Social Security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 2004

Mr. KOLBE (for himself and Mr. STENHOLM) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title II of the Social Security Act to provide for individual security accounts funded by employee and employer Social Security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Bipartisan Retirement Security Act of 2004”.

(b) TABLE OF CONTENTS.—The table of contents is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Individual security accounts.
- Sec. 3. Minimum social security benefit.
- Sec. 4. Reduction in the amount of certain transfers to medicare trust fund.
- Sec. 5. Revised formula for average indexed monthly earnings.
- Sec. 6. Actuarial adjustment for retirement.
- Sec. 7. CPI overstatement.
- Sec. 8. Adjustments to bend points in determining primary insurance amounts.
- Sec. 9. Adjustment to benefit formula factors.
- Sec. 10. Modification to PIA formula to reflect changes to life expectancy.
- Sec. 11. Treatment of disabled beneficiaries.
- Sec. 12. Maintenance of benefit and contribution base.
- Sec. 13. Acceleration of increase in social security eligibility age.
- Sec. 14. Mechanism for remedying unforeseen deterioration in social security solvency.
- Sec. 15. Increase in widow's and widower's insurance benefits.
- Sec. 16. Limitation on benefits of married couple to level of maximum worker benefits.

3 SEC. 2. INDIVIDUAL SECURITY ACCOUNTS.

(a) ESTABLISHMENT AND MAINTENANCE OF INDIVIDUAL SECURITY ACCOUNTS.—

(1) IN GENERAL.—Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(A) by inserting before section 201 the following:

“PART A—INSURANCE BENEFITS”;

and

(B) by adding at the end the following:

“PART B—INDIVIDUAL SECURITY SYSTEM

“Subpart 1—Individual Security Accounts

“FEDERALLY-ADMINISTERED INDIVIDUAL SECURITY

ACCOUNT

“SEC. 251. (a) ESTABLISHMENT.—

1 “(1) IN GENERAL.—Within 30 days after re-
2 ceiving the first contribution under subsection (b)
3 with respect to an eligible individual, the Commis-
4 sioner of Social Security shall establish an individual
5 security account for such individual in the Individual
6 Security Fund. Each account shall be identified to
7 its account holder by means of the account holder’s
8 social security account number.

9 “(2) ELIGIBLE INDIVIDUAL.—For purposes of
10 this part, the term ‘eligible individual’ means any in-
11 dividual born after December 31, 1949.

12 “(b) CONTRIBUTIONS.—

13 “(1) IN GENERAL.—The Secretary of the
14 Treasury shall transfer from the Federal Old-Age
15 and Survivors Insurance Trust Fund, for crediting
16 by the Commissioner of Social Security to the indi-
17 vidual security account of an eligible individual, an
18 amount equal to the sum of any amount received by
19 such Secretary on behalf of such individual under
20 section 3101(a)(2) or 1401(a)(2) of the Internal
21 Revenue Code of 1986.

22 “(2) OTHER CONTRIBUTIONS.—For provisions
23 relating to additional contributions credited to indi-
24 vidual security accounts, see sections 54(d) and
25 6402(l) of the Internal Revenue Code of 1986.

1 “(c) CREDITING REQUIREMENTS.—Except as other-
 2 wise provided in section 252, contributions under sub-
 3 section (b) on behalf of an eligible individual shall be cred-
 4 ited—

5 “(1) to the individual security account estab-
 6 lished for such individual under subsection (a); and

7 “(2) in accordance with the allocation in effect
 8 with respect to such individual under subsection (d).

9 “(d) ALLOCATION AND OTHER DESIGNATIONS.—

10 “(1) IN GENERAL.—The Commissioner of So-
 11 cial Security shall prescribe regulations in accord-
 12 ance with which any eligible individual who is em-
 13 ployed or self-employed may designate—

14 “(A) in the event that 2 or more invest-
 15 ment options are available in the Individual Se-
 16 curity Fund—

17 “(i) the option or options to which
 18 such individual wishes to have such indi-
 19 vidual’s contributions under subsection (b)
 20 credited; and

21 “(ii) if such individual designates
 22 more than 1 option under clause (i), how
 23 such individual wishes for those contribu-
 24 tions to be allocated; and

1 “(B) the amount of wages or self-employ-
2 ment income such individual wishes to des-
3 ignate for purposes of section 3101(a)(2)(C) or
4 1401(a)(2)(C) of the Internal Revenue Code of
5 1986 (as applicable), if any.

6 “(2) DEFAULT ALLOCATION.—In the absence of
7 a required designation under paragraph (1)(A), con-
8 tributions on behalf of the individual involved shall
9 be allocated in such manner as the Commissioner of
10 Social Security shall prescribe, taking into account
11 the competing objectives of maximizing returns on
12 investments and minimizing the risk involved with
13 such investments.

14 “(3) FORM OF DESIGNATION.—Any designation
15 under paragraph (1) shall be made in such manner
16 and at such intervals as the Commissioner of Social
17 Security may prescribe in order to ensure ease of ad-
18 ministration and to avoid creating an undue burden
19 on employers.

20 “(4) SPECIAL RULE FOR 2006.—Not later than
21 January 1, 2006, any eligible individual who is em-
22 ployed or self-employed as of such date shall execute
23 all designations required under paragraph (1).

24 “(e) PERIODIC STATEMENTS TO ACCOUNT HOLD-
25 ER.—

1 “(1) IN GENERAL.—The Individual Security
2 Fund Board shall prescribe regulations under which
3 each individual for whom an individual security ac-
4 count is maintained under this section shall be fur-
5 nished with—

6 “(A) a periodic statement relating to the
7 individual’s account, including, for any report-
8 ing period as of the end of which the individ-
9 ual’s account balance is at least equal to the
10 minimum balance amount (within the meaning
11 of section 252), clear and conspicuous notice to
12 that effect;

13 “(B) a summary description of any invest-
14 ment options or other choices which may be
15 available to such individual under this section
16 or under section 252 (as applicable); and

17 “(C) any forms and information necessary
18 to make a designation under subsection (d) or
19 section 252 (as applicable).

20 “(2) INFORMED DECISIONMAKING.—All infor-
21 mation, materials, and other matter furnished under
22 this subsection shall be furnished to the account
23 holder at such times and in such manner as the
24 Board considers appropriate in order to permit in-
25 formed decisionmaking.

1 “PRIVATELY-ADMINISTERED INDIVIDUAL SECURITY
2 ACCOUNT

3 “SEC. 252. (a) DEFINITIONS.—For purposes of this
4 part—

5 “(1) MINIMUM DEPOSIT AMOUNT.—

6 “(A) IN GENERAL.—The term ‘minimum
7 deposit amount’ means an amount equal to
8 \$7,500, as adjusted under subparagraph (B).

9 “(B) ADJUSTMENT.—The Secretary of the
10 Treasury shall adjust annually (effective for pe-
11 riods beginning after December 2003) the dol-
12 lar amount set forth in subparagraph (A) under
13 procedures providing for adjustments in the
14 same manner and to the same extent as adjust-
15 ments are provided for under the procedures
16 used to adjust benefit amounts under section
17 215(i)(2)(A), except that any amount so ad-
18 justed that is not a multiple of \$10 shall be
19 rounded to the nearest multiple of \$10.

20 “(2) FEDERALLY-ADMINISTERED INDIVIDUAL
21 SECURITY ACCOUNT.—The term ‘Federally-adminis-
22 tered individual security account’ means an indi-
23 vidual security account maintained, in accordance
24 with applicable provisions of this part, in the Indi-
25 vidual Security Fund.

1 “(3) PRIVATELY-ADMINISTERED INDIVIDUAL
2 SECURITY ACCOUNT.—The term ‘privately-adminis-
3 tered individual security account’ means an indi-
4 vidual security account maintained, in accordance
5 with applicable provisions of this part, by a certified
6 institution.

7 “(4) CERTIFIED INSTITUTION.—The term ‘cer-
8 tified institution’ refers to an investment firm, credit
9 union, insurance company, or other certified institu-
10 tion under subpart 3.

11 “(b) OPTION TO DESIGNATE A PRIVATELY-ADMINIS-
12 TERED INDIVIDUAL SECURITY ACCOUNT.—

13 “(1) IN GENERAL.—Under regulations pre-
14 scribed by the Individual Security Fund Board,
15 whenever the balance in an individual’s Federally-
16 administered individual security account is at least
17 equal to the minimum deposit amount, such indi-
18 vidual shall be eligible to designate a privately-ad-
19 ministered individual security account (established
20 and maintained on such individual’s behalf) to serve
21 as such individual’s individual security account
22 under this part, in lieu of such individual’s Feder-
23 ally-administered individual security account.

24 “(2) EFFECT OF DESIGNATION.—If an indi-
25 vidual makes a designation under paragraph (1)—

1 “(A) the entire balance in the individual’s
2 Federally-administered individual security ac-
3 count shall be promptly transferred to the pri-
4 vately-administered individual security account
5 specified by such individual in such designation;
6 and

7 “(B) that privately-administered individual
8 security account shall, for all purposes, be
9 treated as the electing individual’s individual se-
10 curity account, subject to paragraph (4).

11 “(3) REGULATORY MANAGEMENT OF PRIVATE
12 INVESTMENT.—A designation under this subsection
13 shall not be effective unless it is made in such time,
14 form, and manner as the Individual Security Fund
15 Board prescribes. The Individual Security Fund
16 Board shall—

17 “(A) maintain individual account records,
18 and

19 “(B) combine account transactions with
20 certified institutions maintaining privately-ad-
21 ministered individual security accounts in ag-
22 gregate amounts,

23 in the same manner as is applicable with respect to
24 records and account transactions with respect to
25 Federally administered individual security accounts.

1 “(4) SUBSEQUENT DESIGNATIONS.—The Indi-
2 vidual Security Fund Board shall provide by regula-
3 tion opportunity for subsequent designation, from
4 time to time, of another individual security account
5 in lieu of the account previously designated under
6 this section, subject to the following:

7 “(A) OPTIONS AVAILABLE.—The account
8 designated under this paragraph may be either
9 within—

10 “(i) another certified institution, sub-
11 ject to subparagraph (B); or

12 “(ii) the Individual Security Fund.

13 “(B) MINIMUM BALANCE.—In order to
14 make a designation referred to in subparagraph
15 (A)(i), the balance in the individual’s individual
16 security account must be at least equal to the
17 minimum deposit amount. No minimum balance
18 requirement under this subparagraph shall
19 apply in the case of a designation referred to in
20 subparagraph (A)(ii).

21 “(C) ONLY 1 ACCOUNT PERMITTED AT
22 ANY TIME.—An individual may not, at any
23 time, concurrently maintain—

1 “(i) a privately-administered indi-
 2 vidual security account with each of 2 or
 3 more certified institutions; or

4 “(ii) a privately-administered and a
 5 Federally-administered individual security
 6 account.

7 “(D) EFFECT.—A designation under this
 8 paragraph has (with respect to the individual’s
 9 respective accounts, before and after such des-
 10 ignation) the same effect as results following a
 11 designation under paragraph (2) (with respect
 12 to the Federally-administered and privately-ad-
 13 ministered accounts involved).

14 “DISTRIBUTIONS FROM INDIVIDUAL SECURITY ACCOUNTS

15 “SEC. 253. (a) DATE OF EARLIEST DISTRIBUTION.—Except as provided in subsection (c), distributions
 16 TION.—Except as provided in subsection (c), distributions
 17 may not be made from the Federally-administered or pri-
 18 vately-administered individual security account of an eligi-
 19 ble individual (as the case may be) before the earlier of—

20 “(1) the date the eligible individual attains nor-
 21 mal retirement age, as determined under section 216
 22 (or early retirement age, as so determined, if elected
 23 by such individual), or

24 “(2) the date on which funds in the eligible in-
 25 dividual’s account are sufficient to provide a month-
 26 ly payment over the life expectancy of the eligible in-

1 dividual (determined under reasonable actuarial as-
2 sumptions) which, when added to the eligible individ-
3 ual's monthly benefit under part A (if any), is at
4 least equal to an amount equal to $\frac{1}{12}$ of 185 percent
5 of the poverty line (as defined in section 673(2) of
6 the Community Services Block Grant Act (42 U.S.C.
7 9902(2) and determined on such date for a family
8 of the size involved) and adjusted annually there-
9 after by the adjustment determined under section
10 215(i).

11 “(b) FORMS OF DISTRIBUTION.—

12 “(1) REQUIRED MONTHLY PAYMENTS.—Except
13 as provided in paragraph (2), beginning as of the
14 date distributions begin to be made in accordance
15 with subsection (a), the balance in the individual se-
16 curity account available to provide monthly pay-
17 ments not in excess of the amount described in sub-
18 section (a)(2) shall be paid, as elected by the ac-
19 count holder (in such form and manner as shall be
20 prescribed in regulations of the Individual Security
21 Fund Board or the Securities and Exchange Com-
22 mission, as applicable), by means of the purchase of
23 annuities or equal monthly payments over the life
24 expectancy of the eligible individual (determined
25 under reasonable actuarial assumptions) in accord-

1 ance with requirements (which shall be provided in
2 regulations of the Board or Commission, as applica-
3 ble) similar to the requirements applicable to pay-
4 ments of benefits under subchapter III of chapter 84
5 of title 5, United States Code.

6 “(2) PAYMENT OF EXCESS FUNDS.—To the ex-
7 tent funds remain in an eligible individual’s Feder-
8 ally-administered or privately-administered indi-
9 vidual security account (as the case may be) after
10 the application of paragraph (1) and to the extent
11 not inconsistent with the provisions of subchapter
12 III of chapter 84 of title 5, United States Code,
13 such funds shall be payable to the eligible individual
14 in such manner and in such amounts as determined
15 by the eligible individual.

16 “(c) DISTRIBUTION IN THE EVENT OF DEATH BE-
17 FORE THE DATE OF INITIAL DISTRIBUTION.—If the eligi-
18 ble individual dies before the date determined under sub-
19 section (a), the balance in such individual’s individual se-
20 curity account shall be distributed to the individual’s heirs
21 under rules established by the Individual Security Fund
22 Board or the Securities and Exchange Commission, as ap-
23 plicable.

4 “SEC. 261. There shall be established and maintained
5 in the Treasury of the United States an Individual Secu-
6 rity Fund in the same manner as the Thrift Savings Fund
7 under sections 8437 (excluding paragraphs (4) and (5) of
8 subsection (c) thereof), 8438, and 8439 of title 5, United
9 States Code.

11 “SEC. 262. (a) ESTABLISHMENT.—There shall be es-
12 tablished and maintained in the Social Security Adminis-
13 tration an Individual Security Fund Board in the same
14 manner as the Federal Retirement Thrift Investment
15 Board under subchapter VII of chapter 84 of title 5,
16 United States Code.

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1 “(c) BUDGETARY TREATMENT OF INDIVIDUAL SECUR-
 2 RITY FUND AND ACCOUNTS.—The receipts and disburse-
 3 ments of the Individual Security Fund and any accounts
 4 within such Fund shall not be included in the totals of
 5 the budget of the United States Government as submitted
 6 by the President or of the congressional budget and shall
 7 be exempt from any general budget limitation imposed by
 8 statute on expenditures and net lending (budget outlays)
 9 of the United States Government.

10 “(d) COMMISSIONER OF SOCIAL SECURITY AS EXEC-
 11 UTIVE DIRECTOR.—The Commissioner of Social Security
 12 shall have, with respect to the Individual Security Fund
 13 and accounts within such Fund, the same duties and re-
 14 sponsibilities as does the Executive Director (appointed
 15 under section 8474(a) of title 5, United States Code) with
 16 respect to the Thrift Savings Fund and accounts within
 17 such Fund.

18 “Subpart 3—Certified Institutions

19 “CERTIFICATION OF INSTITUTIONS BY SECURITIES AND
 20 EXCHANGE COMMISSION

21 “SEC. 271. (a) IN GENERAL.—For purposes of this
 22 part, any institution that is engaged, in a fiduciary capac-
 23 ity, in the business of maintaining accounts for individuals
 24 for purposes of investment may apply to the Securities and
 25 Exchange Commission (in such form and manner as the

1 Commission shall by regulation require) for certification
2 under this subpart.

3 “(b) REVIEW REQUIREMENTS.—In reviewing any ap-
4 plication for certification under this subpart and deter-
5 mining whether to approve the application for certifi-
6 cation, the Commission shall consider the following fac-
7 tors:

8 “(1) The financial history and condition of the
9 institution.

10 “(2) The adequacy of the institution’s capital
11 structure.

12 “(3) The future earnings prospects of the insti-
13 tution.

14 “(4) The general character and fitness of the
15 management of the institution.

16 “(5) The convenience and needs of individuals
17 who are account holders with respect to personal re-
18 tirement accounts for which the institution is to
19 serve as trustee.

20 “(6) Whether the institution’s corporate powers
21 are consistent with the purposes of this part.

22 “(7) The institution’s disclosure policies, includ-
23 ing with respect to its administrative fees, invest-
24 ment policies, and investment activities.

25 “(8) The appropriateness of—

1 “(A) the fund or funds that such institu-
2 tion proposes to offer for purposes of this part,
3 and

4 “(B) the criteria by which such institution
5 will make future decisions regarding the selec-
6 tion of new funds or the making of any other
7 modifications in the investment options offered
8 by such institution for purposes of this part, as
9 determined based on guidelines established by
10 the Commission for purposes of this paragraph.

11 “(c) NOTICE OF DENIAL OF APPLICATION FOR CER-
12 TIFICATION.—If the Commission votes to deny any appli-
13 cation for certification by any institution, the Commission
14 shall promptly notify the institution of the denial of such
15 application, giving specific reasons in writing for the Com-
16 mission’s determination with reference to the factors de-
17 scribed in subsection (b).

18 “(d) NONDELEGATION REQUIREMENT.—The author-
19 ity of the Commission to make any determination to deny
20 any application under this section may not be delegated
21 by the Commission.

22 “REVOCATION OF CERTIFICATION

23 “SEC. 272. (a) IN GENERAL.—The Securities and
24 Exchange Commission shall prescribe regulations in ac-
25 cordance with which the certified status of an institution
26 may be voluntarily or involuntarily revoked.

1 “(b) JUDICIAL REVIEW.—Any party to any involun-
2 tary revocation proceeding under this section to which an
3 institution is a party may obtain a review of any order
4 served pursuant to this section by the filing in the court
5 of appeals of the United States for the circuit in which
6 the home office of the institution is located, or in the
7 United States Court of Appeals for the District of Colum-
8 bia Circuit, within 30 days after the date of service of such
9 order, a written petition praying that the order of the
10 Commission be modified, terminated, or set aside. A copy
11 of such petition shall be forthwith transmitted by the clerk
12 of the court to the Commission, and thereupon the Com-
13 mission shall file in the court the record in the proceeding,
14 as provided in section 2112 of title 28, United States
15 Code. Upon the filing of such petition, such court shall
16 have jurisdiction, which upon the filing of the record shall
17 be exclusive, to affirm, modify, terminate, or set aside, in
18 whole or in part, the order of the Commission. Review of
19 such proceedings shall be had as provided in chapter 7
20 of title 5, United States Code. The judgment and decree
21 of the court shall be final, except that the judgment and
22 decree shall be subject to review by the Supreme Court
23 upon certiorari, as provided in section 1254 of title 28,
24 United States Code. The commencement of proceedings
25 for judicial review under this subsection shall not, unless

1 specifically ordered by the court, operate as a stay of any
2 order issued by the Commission.

3 “FIDUCIARY DUTIES

4 “SEC. 273. (a) IN GENERAL.—In the case of a pri-
5 vately-administered individual security account which does
6 not form part of an individual account plan covered under
7 part 4 of subtitle B of title I of the Employee Retirement
8 Income Security Act of 1974, rules similar to the rules
9 of such part 4 applicable to individual account plans cov-
10 ered under such part 4 shall apply with respect to a pri-
11 vately-administered individual security account and the
12 terms of any arrangement under which such account is
13 maintained.

14 “(b) GENERAL REQUIREMENTS.—In applying under
15 subsection (a) the rules of part 4 of subtitle B of title
16 I of the Employee Retirement Income Security Act of
17 1974 in the case of a privately-administered individual se-
18 curity account, references in such part to the Secretary
19 of Labor shall be deemed to be references to the Securities
20 and Exchange Commission, references in such part to a
21 participants or beneficiary in connection with an indi-
22 vidual account plan covered under such part shall be
23 deemed to be references to the account holder with respect
24 to the privately-administered individual security account,
25 and references in such part to the plan administrator or
26 plan sponsor in connection with an individual account plan

1 covered under such part shall be deemed to be references
2 to the trustee of the privately-administered individual se-
3 curity account.

4 “(c) LIMITATION ON LIABILITY.—Any account holder
5 who issues an instruction to the trustee of the account
6 directing an investment of funds held in the account shall
7 sign an acknowledgement prescribed by the Securities and
8 Exchange Commission which states that the account hold-
9 er understands that an investment of any amount in the
10 account is made at the account holder’s risk, that the ac-
11 count holder is not protected by the Government or by
12 the trustee against any loss on such investment, and that
13 a return on such investment is not guaranteed by the Gov-
14 ernment or by the trustee. Notwithstanding the preceding
15 provisions of this section and any other provision of Fed-
16 eral or State law, the trustee of a privately-administered
17 individual security account shall not be liable for losses
18 suffered in connection with any investment of assets held
19 in the account unless it is shown by clear and convincing
20 evidence that the trustee did not act in the manner in
21 which a reasonable trustee would act under the cir-
22 cumstances then prevailing in evaluating the risk and re-
23 ward properties of the investment option involved.

1 “Subpart 4—Enforcement

2 “CAUSE OF ACTION

3 “SEC. 281. The account holder with respect to a pri-
4 vately-administered individual security account who is ad-
5 versely affected by an act or practice of any party (other
6 than the Securities and Exchange Commission, the Social
7 Security Administration, the Department of the Treasury,
8 or any officer or employee of any of the foregoing) in viola-
9 tion of any provision of this part, may bring an action—

10 “(1) to enjoin such act or practice, or

11 “(2) to obtain other appropriate equitable relief

12 (A) to redress such violation or (B) to enforce such
13 provision.

14 “JURISDICTION AND VENUE

15 “SEC. 282. Civil actions under this subpart may be
16 brought in the district courts of the United States in the
17 district where the privately-administered individual secu-
18 rity account is administered, where the violation took
19 place, or where a defendant resides or may be found, and
20 process may be served in any district where a defendant
21 resides or may be found. The district courts of the United
22 State shall have jurisdiction, without regard to the amount
23 in controversy or the citizenship of the parties, to grant
24 the relief provided for in section 281 in any action.

1 “RIGHT OF SECURITIES AND EXCHANGE COMMISSION TO
2 INTERVENE

3 “SEC. 283. A copy of the complaint or notice of ap-
4 peal in any action under this subpart shall be served upon
5 the Securities and Exchange Commission by certified mail.
6 The Commission shall each have the right to intervene in
7 any action.

8 “AWARDS OF COSTS AND EXPENSES

9 “SEC. 284. In any action brought under this subpart,
10 the court in its discretion may award all or a portion of
11 the costs and expenses incurred in connection with such
12 action, including reasonable attorney’s fees, to any party
13 who prevails or substantially prevails in such action.

14 “LIMITATION ON ACTIONS

15 “SEC. 285. (a) IN GENERAL.—Except as provided in
16 subsection (c), an action under this subpart may not be
17 brought after the later of—

18 “(1) 6 years after the date on which the cause
19 of action arose, or

20 “(2) 3 years after the applicable date specified
21 in subsection (b).

22 “(b) APPLICABLE DATE.—The applicable date speci-
23 fied in this subsection is the earliest date on which the
24 plaintiff acquired or should have acquired actual knowl-
25 edge of the existence of such cause of action.

1 “(c) CASES OF FRAUD OR CONCEALMENT.—In the
2 case of fraud or concealment, the period described in sub-
3 section (a)(2) shall be extended to 6 years after the appli-
4 cable date specified in subsection (b).

5 “PENALTY FOR FAILURE TO TIMELY PROVIDE REQUIRED
6 INFORMATION

7 “SEC. 286. The Securities and Exchange Commission
8 may assess a penalty, payable to it, against any person
9 who fails to provide any notice or other material informa-
10 tion required under this part or any regulations prescribed
11 under this part within the applicable time limit specified
12 therein. Such penalty shall not exceed \$1,000 for each day
13 for which such failure continues.

14 “ACTIONS BY SECURITIES AND EXCHANGE COMMISSION

15 “SEC. 287. If any person is assessed under this sub-
16 part and fails to pay the assessment when due, or any
17 person otherwise fails to meet any requirement of this
18 part, the Securities and Exchange Commission may bring
19 a civil action in any district court of the United States
20 within the jurisdiction of which such person’s assets are
21 located or in which such person resides or is found for
22 the recovery of the amount of the assessment or for appro-
23 priate equitable relief to redress the violation or enforce
24 the provisions of this part, and process may be served in
25 any other district. The district courts of the United States
26 shall have jurisdiction over actions brought under this sec-

1 tion by the Commission without regard to the amount in
2 controversy.

3 “CRIMINAL PENALTY FOR FRAUD OR INTENTIONAL MIS-
4 REPRESENTATION IN CONNECTION WITH INVEST-
5 MENT OPTIONS

6 “SEC. 288. Any person who makes, or causes to be
7 made, a statement or representation of a material fact for
8 use in selecting an investment option that the person
9 knows or should know is false or misleading or knows or
10 should know omits a material fact or makes such a state-
11 ment with knowing disregard for the truth shall upon con-
12 viction be fined not more than \$500,000 or imprisoned
13 for not more than 5 years, or both.”.

14 (b) MODIFICATION OF FICA RATES.—

15 (1) EMPLOYEES.—Section 3101(a) of the Inter-
16 nal Revenue Code of 1986 (relating to tax on em-
17 ployees) is amended to read as follows:

18 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
19 ANCE.—

20 “(1) IN GENERAL.—

21 “(A) INDIVIDUALS COVERED UNDER PART
22 A OF TITLE II OF THE SOCIAL SECURITY ACT.—

23 In addition to other taxes, there is hereby im-
24 posed on the income of every individual who is
25 not a part B eligible individual a tax equal to

1 6.2 percent of the wages received by him with
2 respect to employment.

3 “(B) INDIVIDUALS COVERED UNDER PART
4 B OF TITLE II OF THE SOCIAL SECURITY
5 ACT.—

6 “(i) IN GENERAL.—In addition to
7 other taxes, there is hereby imposed on the
8 income of every part B eligible individual a
9 tax equal to the applicable percentage of
10 the wages received by such individual with
11 respect to employment.

12 “(ii) APPLICABLE PERCENTAGE.—For
13 purposes of clause (i), the term ‘applicable
14 percentage’ means the excess of 6.2 per-
15 cent, over

16 “(I) 3 percent, in the case of the
17 first \$10,000 of such wages received
18 in the calendar year, and

19 “(II) 2 percent, in the case of
20 any additional such wages received in
21 the calendar year.

22 “(2) CONTRIBUTION OF OASDI TAX REDUCTION
23 TO INDIVIDUAL SECURITY ACCOUNTS.—In addition
24 to other taxes, there is hereby imposed on the in-
25 come of every part B eligible individual for the cal-

1 endar year an individual security account contribu-
2 tion equal to the sum of—

3 “(A) 3 percent of so much of the wages as
4 does not exceed the first \$10,000 received in
5 such calendar year by such individual with re-
6 spect to employment,

7 “(B) 2 percent of the excess of—

8 “(i) such wages, over

9 “(ii) the wages taken into account
10 under subparagraph (A), plus

11 “(C) so much of such wages (not to exceed
12 \$5,000) as designated by the individual in the
13 same manner as described in section 251(c) of
14 the Social Security Act.

15 “(3) INFLATION ADJUSTMENTS.—

16 “(A) IN GENERAL.—In the case of any cal-
17 endar year beginning after 2006, the \$10,000
18 amount in paragraphs (1) and (2) shall be in-
19 creased by an amount equal to—

20 “(i) such dollar amount, multiplied by

21 “(ii) the wage increase percentage (if
22 any) for such year.

23 “(B) DESIGNATED CONTRIBUTIONS.—In
24 the case of any calendar year beginning after

1 2008, the \$5,000 amount in paragraph (2)(C)
2 shall be increased by an amount equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the percentage increase (if any)

5 for such year determined under section

6 215(i) of the Social Security Act.

7 “(C) ROUNDING.—If any dollar amount
8 after being increased under subparagraph (A)
9 or (B) is not a multiple of \$10, such dollar
10 amount shall be rounded to the nearest multiple
11 of \$10.

12 “(4) DEFINITIONS.—For purposes of this sub-
13 section—

14 “(A) WAGES.—The term ‘wages’ shall have
15 the meaning given to such term by section
16 3121(a).

17 “(B) EMPLOYMENT.—The term ‘employ-
18 ment’ shall have the meaning given to such
19 term by section 3121(b).

20 “(C) WAGE INCREASE PERCENTAGE.—The
21 term ‘wage increase percentage’, with respect to
22 a calendar year, means the percentage increase
23 which would become effective under section
24 215(i)(2) of the Social Security Act in such

1 year if such increase were determined as de-
 2 scribed in section 215(i)(5)(A)(i) of such Act.”.

3 (2) SELF-EMPLOYED.—Section 1401(a) of the
 4 Internal Revenue Code of 1986 (relating to tax on
 5 self-employment income) is amended to read as fol-
 6 lows:

7 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
 8 ANCE.—

9 “(1) IN GENERAL.—

10 “(A) INDIVIDUALS COVERED UNDER PART
 11 A OF THE SOCIAL SECURITY ACT.—In addition
 12 to other taxes, there shall be imposed for each
 13 taxable year, on the self-employment income of
 14 every individual who is not a part B eligible in-
 15 dividual for the calendar year ending with or
 16 during such taxable year, a tax equal to 12.40
 17 percent of the amount of the self-employment
 18 income for such taxable year.

19 “(B) INDIVIDUALS COVERED UNDER PART
 20 B OF TITLE II OF THE SOCIAL SECURITY ACT.—

21 “(i) IN GENERAL.—In addition to
 22 other taxes, there is hereby imposed for
 23 each taxable year, on the self-employment
 24 income of every part B eligible individual,
 25 a tax equal to the applicable percentage of

1 the amount of the self-employment income
2 for such taxable year.

3 “(ii) APPLICABLE PERCENTAGE.—For
4 purposes of clause (i), the term ‘applicable
5 percentage’ means the excess of 12.4 per-
6 cent, over

7 “(I) 3 percent, in the case of the
8 first \$10,000 of self-employment in-
9 come received in the calendar year,
10 and

11 “(II) 2 percent, in the case of
12 any additional self-employment income
13 received in the calendar year.

14 “(2) CONTRIBUTION OF OASDI TAX REDUCTION
15 TO INDIVIDUAL SECURITY ACCOUNTS.—In addition
16 to other taxes, there is hereby imposed for each tax-
17 able year, on the self-employment income of every
18 part B eligible individual for the calendar year, an
19 individual security account contribution equal to the
20 sum of—

21 “(A) 3 percent of self-employment income
22 as does not exceed the first \$10,000 of such in-
23 come derived during the taxable year by such
24 individual,

1 “(B) 2 percent of self-employment income
 2 in the case of any additional self-employment
 3 income derived by such individual during the
 4 taxable year, and

5 “(C) so much of such self-employment in-
 6 come (not to exceed \$5,000) as designated by
 7 the individual in the same manner as described
 8 in section 251(c) of the Social Security Act.

9 “(3) INFLATION ADJUSTMENTS.—

10 “(A) IN GENERAL.—In the case of any cal-
 11 endar year beginning after 2006, the \$10,000
 12 amount in paragraphs (1) and (2) shall be in-
 13 creased by an amount equal to—

14 “(i) such dollar amount, multiplied by

15 “(ii) the wage increase percentage (if
 16 any) for such year,

17 “(B) DESIGNATED CONTRIBUTIONS.—In
 18 the case of any calendar year beginning after
 19 2008, the \$5,000 amount in paragraph (2)(C)
 20 shall be increased by an amount equal to—

21 “(i) such dollar amount, multiplied by

22 “(ii) the percentage increase (if any)
 23 for such year determined under section
 24 215(i) of the Social Security Act.

1 “(C) ROUNDING.—If any dollar amount
 2 after being increased under subparagraph (A)
 3 or (B) is not a multiple of \$10, such dollar
 4 amount shall be rounded to the nearest multiple
 5 of \$10.

6 “(4) DEFINITION.—For purposes of this sub-
 7 section, the term ‘wage increase percentage’, with re-
 8 spect to a calendar year, means the percentage in-
 9 crease which would become effective under section
 10 215(i)(2) of the Social Security Act in such year if
 11 such increase were determined as described in sec-
 12 tion 215(i)(5)(A)(i) of such Act.”.

13 (3) PART B ELIGIBLE INDIVIDUAL.—

14 (A) TAXES ON EMPLOYEES.—Section 3121
 15 of such Code (relating to definitions) is amend-
 16 ed by inserting after subsection (s) the fol-
 17 lowing new subsection:

18 “(t) PART B ELIGIBLE INDIVIDUAL.—For purposes
 19 of this chapter, the term ‘part B eligible individual’ means,
 20 for any calendar year, an individual who is an eligible indi-
 21 vidual (as defined in section 251(a)(2) of the Social Secu-
 22 rity Act) for such calendar year.”.

23 (B) SELF-EMPLOYMENT TAX.—Section
 24 1402 of such Code (relating to definitions) is

1 amended by adding at the end the following
2 new subsection:

3 “(k) PART B ELIGIBLE INDIVIDUAL.—The term
4 ‘part B eligible individual’ means, for any calendar year,
5 an individual who is an eligible individual (as defined in
6 section 251(a)(2) of the Social Security Act) for such cal-
7 endar year.”.

8 (4) EFFECTIVE DATES.—

9 (A) EMPLOYEES.—The amendments made
10 by paragraphs (1) and (3)(A) apply to remu-
11 nation paid after December 31, 2005.

12 (B) SELF-EMPLOYED INDIVIDUALS.—The
13 amendments made by paragraphs (2) and
14 (3)(B) apply to taxable years beginning after
15 December 31, 2005.

16 (c) MATCHING CONTRIBUTIONS.—

17 (1) IN GENERAL.—Part IV of subchapter A of
18 chapter 1 of the Internal Revenue Code of 1986 (re-
19 lating to credits against tax) is amended by adding
20 at the end the following new subpart:

21 **“Subpart H—Individual Security Account Credits**

“Sec. 54. Individual security account credit.

1 **“SEC. 54. INDIVIDUAL SECURITY ACCOUNT CREDIT.**

2 “(a) ALLOWANCE OF CREDIT.—Each part B eligible
3 individual is entitled to a credit for the taxable year in
4 an amount equal to the sum of—

5 “(1) \$150,

6 “(2) 50 percent of the designated wages of such
7 individual for the taxable year,

8 “(3) 50 percent of the designated self-employ-
9 ment income of such individual for the taxable year,
10 and

11 “(4) 50 percent of the designated earned in-
12 come credit.

13 “(b) LIMITATIONS.—

14 “(1) AMOUNT.—The amount determined under
15 paragraphs (2) and (3) of subsection (a) with re-
16 spect to such individual for any taxable year may
17 not exceed the excess (if any) of—

18 “(A) \$600, over

19 “(B) the sum of the amounts received by
20 the Secretary on behalf of such individual under
21 subparagraphs (A) and (B) of section
22 3101(a)(2) and subparagraphs (A) and (B) of
23 1401(a)(2) for the taxable year.

24 “(2) FAILURE TO MAKE VOLUNTARY CONTRIBU-
25 TIONS.—In the case of a part B eligible individual
26 with respect to whom the amount of wages des-

1 ignated under section 3101(a)(2)(C) plus the
2 amount self-employment income designated under
3 section 1401(a)(2)(C) for the taxable year is zero,
4 the credit to which such individual is entitled under
5 this section shall be equal to zero.

6 “(c) DEFINITIONS.—For purposes of this section—

7 “(1) PART B ELIGIBLE INDIVIDUAL.—The term
8 ‘part B eligible individual’ means, for any calendar
9 year, an individual who is an eligible individual (as
10 defined in section 251(a)(2) of the Social Security
11 Act) for such calendar year.

12 “(2) DESIGNATED WAGES.—The term ‘des-
13 ignated wages’ means with respect to any taxable
14 year the amount designated under section
15 3101(a)(2)(C).

16 “(3) DESIGNATED SELF-EMPLOYMENT IN-
17 COME.—The term ‘designated self-employment in-
18 come’ means with respect to any taxable year the
19 amount designated under section 1401(a)(2)(C) for
20 such taxable year.

21 “(4) DESIGNATED EARNED INCOME CREDIT.—
22 The term ‘designated earned income credit’ means
23 the amount of the credit allowed under section 32
24 for the taxable year that is designated by the part

1 B eligible individual in the same manner as de-
 2 scribed in section 251(c) of the Social Security Act.

3 “(d) CREDIT USED ONLY FOR INDIVIDUAL SECU-
 4 RITY ACCOUNT.—For purposes of this title, the credit al-
 5 lowed under this section with respect to any part B eligible
 6 individual—

7 “(1) shall not be treated as a credit allowed
 8 under this part, but

9 “(2) shall be treated as an overpayment of tax
 10 under section 6401(b)(3) which may, in accordance
 11 with section 6402(l), only be transferred to an indi-
 12 vidual security account established under part B of
 13 title II of the Social Security Act with respect to
 14 such individual.”.

15 (2) CONTRIBUTION OF EITC AMOUNTS TO INDIVIDUAL
 16 SECURITY ACCOUNTS.—Section 32 of such
 17 Code (relating to earned income) is amended by add-
 18 ing at the end the following new subsection:

19 “(n) CONTRIBUTION TO INDIVIDUAL SECURITY AC-
 20 COUNT.—

21 “(1) IN GENERAL.—An eligible part B indi-
 22 vidual who is allowed a credit under this section may
 23 designate all or a portion of such credit as a con-
 24 tribution to the individual security account estab-
 25 lished on behalf of such individual.

1 “(2) CREDIT USED ONLY FOR INDIVIDUAL SE-
 2 CURITY ACCOUNT.—For purposes of this title, the
 3 amount designated under paragraph (1) with respect
 4 to any part B individual—

5 “(A) shall not be treated as a credit al-
 6 lowed under this section, but

7 “(B) shall be treated as an overpayment of
 8 tax under section 6401(b)(3) which may, in ac-
 9 cordance with section 6402(l), only be trans-
 10 ferred to an individual security account estab-
 11 lished under part B of title II of the Social Se-
 12 curity Act with respect to such individual.”.

13 (3) CONTRIBUTION OF CREDITED AMOUNTS TO
 14 INDIVIDUAL SECURITY ACCOUNT.—

15 (A) CREDITED AMOUNTS TREATED AS
 16 OVERPAYMENT OF TAX.—Subsection (b) of sec-
 17 tion 6401 (relating to excessive credits) is
 18 amended by adding at the end the following
 19 new paragraph:

20 “(3) SPECIAL RULE FOR CREDIT UNDER SEC-
 21 TIONS 32 AND 54.—Subject to the provisions of sec-
 22 tion 6402(l), the following sum shall be considered
 23 an overpayment—

1 “(A) SECTION 54 CREDIT.—The amount of
2 any credit allowed under section 54 for any tax-
3 able year, plus

4 “(B) SECTION 32 DESIGNATED EARNED IN-
5 COME CREDIT CONTRIBUTION.—The amount of
6 the earned income credit designated as a con-
7 tribution to an individual security account
8 under section 32(n) for the taxable year.”.

9 (B) TRANSFER OF CREDIT AMOUNT TO IN-
10 DIVIDUAL SECURITY ACCOUNT.—Section 6402
11 of such Code (relating to authority to make
12 credits or refunds) is amended by adding at the
13 end the following new subsection:

14 “(1) OVERPAYMENTS ATTRIBUTABLE TO INDIVIDUAL
15 SECURITY ACCOUNT CREDIT.—In the case of any over-
16 payment described in section 6401(b)(3) with respect to
17 any individual, the Secretary shall transfer for crediting
18 by the Commissioner of Social Security to the individual
19 security account of an such individual, an amount equal
20 to the amount of such overpayment.”.

21 (4) NOTICE TO EITC RECIPIENTS OF MATCHING
22 CONTRIBUTIONS TO INDIVIDUAL SECURITY AC-
23 COUNTS.—In connection with information and tax
24 forms relating to the credit allowed under section 32
25 of the Internal Revenue Code of 1986, the Secretary

1 of the Treasury shall provide notice of the avail-
 2 ability of matching contributions pursuant to section
 3 54 of such Code (as added by subsection (a) of this
 4 section) to individual security accounts under part B
 5 of title II of the Social Security Act.

6 (5) CONFORMING AMENDMENTS.—

7 (A) Section 1324(b)(2) of title 31, United
 8 States Code, is amended by inserting before the
 9 period at the end “, or enacted by the Bipar-
 10 tisan Retirement Security Act of 2004”.

11 (B) The table of subparts for part IV of
 12 subchapter A of chapter 1 of the Internal Rev-
 13 enue Code of 1986 is amended by adding at the
 14 end the following new item:

“SUBPART H. INDIVIDUAL SECURITY ACCOUNT CREDITS.”.

15 (6) EFFECTIVE DATE.—The amendments made
 16 by this subsection shall apply to refunds payable
 17 after December 31, 2005.

18 **SEC. 3. MINIMUM SOCIAL SECURITY BENEFIT.**

19 Section 215 of the Social Security Act (42 U.S.C.
 20 415) is amended by adding at the end the following:

21 “(j) MINIMUM MONTHLY INSURANCE BENEFIT.—(1)
 22 Notwithstanding the preceding provisions of this section—
 23 “(A) the primary insurance amount of a quali-
 24 fied individual shall be equal to the greater of—

1 “(i) the primary insurance amount deter-
2 mined under this section (without regard to this
3 subsection), or

4 “(ii) $\frac{1}{12}$ of the applicable percentage of
5 the applicable amount, and
6 rounded, if not a multiple of \$0.10, to the next lower
7 multiple of \$0.10, and thereafter increased as pro-
8 vided in subsection (i), and

9 “(B) any recomputation of the primary insur-
10 ance amount of a qualified individual shall not result
11 in a primary insurance amount less than the pri-
12 mary insurance amount as in effect immediately
13 prior to such recomputation.

14 “(2) For purposes of this subsection—

15 “(A) The term ‘qualified individual’ means an
16 individual—

17 “(i) who initially becomes eligible for old-
18 age or disability insurance benefits, or dies (be-
19 fore becoming eligible for such benefits) for a
20 month beginning after December 31, 2009, and

21 “(ii) who, in the case of any such indi-
22 vidual other than an individual eligible for old-
23 age insurance benefits, has quarters of coverage
24 greater in number than the number of such in-

1 dividual’s elapsed years (as defined in sub-
2 section (a)(1)(C)(ii)).

3 “(B) The term ‘applicable amount’ means, in
4 connection with an individual, \$8,628, adjusted an-
5 nually for years after 2002—

6 “(i) by the CPI increase percentage deter-
7 mined under section 215(i) for 2003 through
8 the earlier of—

9 “(I) the year prior to the year of the
10 individual’s initial eligibility, or

11 “(II) 2012; and

12 “(ii) by the wage increase percentage de-
13 termined under such section for 2013 through
14 the second year prior to the year of such indi-
15 vidual’s initial eligibility.

16 “(C)(i) In the case of a qualified individual de-
17 scribed in subparagraph (A)(i), the term ‘applicable
18 percentage’ means the sum of—

19 “(I) the product derived by multiplying 2.0
20 percent by the number of such individual’s
21 quarters of coverage, to the extent that the
22 number of such quarters of coverage does not
23 exceed 80, and

24 “(II) the product derived by multiplying
25 0.5 percent by the number of such individual’s

1 quarters of coverage, to the extent that the
2 number of such quarters of coverage is in ex-
3 cess of 80 but does not exceed 120.

4 “(ii) In the case of a qualified individual de-
5 scribed in subparagraph (A)(ii), the term ‘applicable
6 percentage’ means the sum of—

7 “(I) the product derived by multiplying the
8 higher pro-rated percentage increment by the
9 number of such individual’s quarters of cov-
10 erage, to the extent that the number of such
11 quarters of coverage exceeds the number of
12 such individual’s elapsed years (as defined in
13 subsection (a)(10(C)(ii)) but does not exceed
14 twice the number of such elapsed years, and

15 “(II) the product derived by multiplying
16 the lower pro-rated percentage increment by the
17 number of such individual’s quarters of cov-
18 erage, to the extent that the number of such
19 quarters of coverage exceeds twice the number
20 of such elapsed years but does not exceed 4
21 times the number of such elapsed years.

22 “(iii) For purposes of clause (ii)—

23 “(I) the higher pro-rated percentage incre-
24 ment, in connection with the qualified indi-
25 vidual, is the quotient obtained by dividing 80

1 percent by the number of the individual's
2 elapsed years, and

3 “(II) the lower pro-rated percentage incre-
4 ment, in connection with the qualified indi-
5 vidual, is the quotient obtained by dividing 40
6 percent by twice the number of the individual's
7 elapsed years,
8 each of which is rounded, if a multiple of 0.05 per-
9 cent and not of 0.10 percent, to the next higher mul-
10 tiple of 0.10 percent, and in any other case to the
11 next higher multiple of 0.10 percent.

12 “(3) In the case of a qualified individual who becomes
13 eligible for old-age or disability insurance benefits, or who
14 dies (before becoming eligible to such benefits) in a year
15 prior to 2013, in lieu of the amount otherwise determined
16 under paragraph (a)(A)(ii), the amount provided under
17 paragraph (1)(A)(ii) shall be deemed to be equal to the
18 the product derived by multiplying such amount otherwise
19 determined by the percentage set forth in the following
20 table in connection with such year, rounded, if not a mul-
21 tiple of \$0.10, to the next lower multiple of \$0.10.

“If the year is:	The applicable percentage is:
2009	20
2010	40
2011	60
2012	80.”.

1 **SEC. 4. REDUCTION IN THE AMOUNT OF CERTAIN TRANS-**
 2 **FERS TO MEDICARE TRUST FUND.**

3 Subparagraph (A) of section 121(e)(1) of the Social
 4 Security Amendments of 1983 (42 U.S.C. 401 note), as
 5 amended by section 13215(c)(1) of the Omnibus Budget
 6 Reconciliation Act of 1993, is amended—

7 (1) in clause (ii), by striking “the amounts”
 8 and inserting “the applicable percentage of the
 9 amounts”; and

10 (2) by adding at the end the following: “For
 11 purposes of clause (ii), the applicable percentage for
 12 a year is equal to 100 percent, reduced (but not
 13 below zero) by 10 percentage points for each year
 14 after 2010.”.

15 **SEC. 5. REVISED FORMULA FOR AVERAGE INDEXED**
 16 **MONTHLY EARNINGS.**

17 (a) IN GENERAL.—So much of subsection (b) of sec-
 18 tion 215 of the Social Security Act (42 U.S.C. 415) as
 19 precedes paragraph (3) is amended to read as follows:

20 “Average Indexed Monthly Earnings; Average Monthly
 21 Wage

22 “(b)(1)(A) In the case of an individual who is entitled
 23 to old-age insurance benefits (except as provided in para-
 24 graph (2)(C)), or who has died (before becoming eligible
 25 for such benefits or disability insurance benefits), such in-

1 individual's average indexed monthly earnings shall be equal
 2 to the quotient obtained by dividing—

3 “(i) the total (after adjustment under para-
 4 graph (3)) of his wages paid in and self-employment
 5 income credited to his computation base years (de-
 6 termined under subparagraph (C)(i)), by

7 “(ii) the product derived by multiplying—

8 “(I) the number of such individual's
 9 elapsed years (determined under subparagraph
 10 (C)(ii)), by

11 “(II) 12.

12 “(B)(i) For purposes of clause (i) of subparagraph
 13 (A), in the case of an individual who becomes eligible for
 14 old-age insurance benefits, or dies (before becoming eligi-
 15 ble for such benefits or disability insurance benefits), in
 16 any calendar year after 2004 and before 2013, if the num-
 17 ber of such individual's computation base years exceed in
 18 number the maximum number for such calendar year,
 19 those computation base years referred to in such clause
 20 shall consist only of those computation base years, equal
 21 in number to such maximum number, for which the total
 22 of such individual's wages and self-employment income,
 23 after adjustment under paragraph (3), is the largest. For
 24 purposes of this clause, the maximum number for a cal-

- 1 endar year is the maximum number set forth in connection
 2 with such calendar year in the following table:

“If the calendar year is:	The maximum number of years is:
2005 or 2006	37
2007 or 2008	39
2009 or 2010	41
2011 or 2012	43.

- 3 “(ii) For purposes of subclause (I) of subparagraph
 4 (A)(ii), in the case of an individual who becomes eligible
 5 for old-age insurance benefits, or dies (before becoming
 6 eligible for such benefits or disability insurance benefits),
 7 in any calendar year after 2004, if the number of such
 8 individual’s elapsed years exceed in number the maximum
 9 number for such calendar year, the number of elapsed
 10 years referred to in such subclause shall be deemed equal
 11 to such maximum number. For purposes of this clause,
 12 the maximum number for a calendar year is the maximum
 13 number set forth in connection with such calendar year
 14 in the following table:

“If the calendar year is:	The maximum number of years is:
2005 or 2006	36
2007 or 2008	37
2009 or 2010	38
2011 or 2012	39
after 2012	40.

- 15 “(iii) In any case in which—
 16 “(I) an individual described in clause (ii) is
 17 married at the time the individual becomes eligible
 18 for old-age insurance benefits or dies (before becom-
 19 ing eligible for such benefits), and

1 “(II) the total of the wages paid in and self-em-
2 ployment income credited to the individual’s com-
3 putation base years under subparagraph (A)(i) is
4 less than the total of the wages paid in and self-em-
5 ployment income credited to the computation base
6 years of the individual’s spouse under subparagraph
7 (A)(i),
8 then the maximum number of such individual’s elapsed
9 years determined under clause (ii) shall be deemed to be
10 35.

11 “(C) For purposes of this subsection with respect to
12 any individual—

13 “(i) the term ‘contribution base year’ means the
14 calendar years after 1950 and before—

15 “(I) in the case of an individual entitled to
16 old-age insurance benefits or disability insur-
17 ance benefits, the year in which occurred
18 (whether by reason of section 202(j)(1) or oth-
19 erwise) the first month of that entitlement, or

20 “(II) in the case of an individual who has
21 died (without having become entitled to old-age
22 insurance benefits), the year succeeding the
23 year of his death,

24 except that such term excludes any calendar year en-
25 tirely included in a period of disability, and

1 “(ii) the term ‘elapsed year’ means (except as
2 otherwise provided by section 104(j)(2) of the Social
3 Security Amendments of 1972) a calendar year—

4 “(I) after 1950 (or, if later, the year in
5 which the individual attained age 21), and

6 “(II) before the year in which the indi-
7 vidual died, or, if it occurred earlier (but after
8 1960), the year in which he attained age 62;
9 except that such term excludes any calendar year
10 any part of which is included in a period of dis-
11 ability.

12 “(2)(A) In the case of an individual who is entitled
13 to disability insurance benefits, such individual’s average
14 indexed monthly earnings shall be equal to the quotient
15 obtained by dividing—

16 “(i) the total (after adjustment under para-
17 graph (3)) of his wages paid in and self-employment
18 income credited to his elapsed years (determined
19 under paragraph (1)(C)(ii)) prior to his current pe-
20 riod of disability, equal in number to the reduced
21 number determined under subparagraph (B), for
22 which the total of such individual’s wages and self-
23 employment income, after adjustment under para-
24 graph (3), is the largest, by

25 “(ii) the product derived by multiplying—

1 “(I) the number of the individual’s elapsed
2 years, by

3 “(II) 12.

4 “(B) The reduced number of an individual’s elapsed
5 years, determined under this subparagraph for purposes
6 of subparagraph (A)(i), is the number of such elapsed
7 years, reduced by the number of years equal to one-fifth
8 of such number of elapsed years (disregarding any result-
9 ing fractional part of a year), but not by more than 5
10 years.

11 “(C)(i) This paragraph, once applicable with respect
12 to any individual, shall continue to apply for purposes of
13 determining such individual’s primary insurance amount
14 for purposes of any subsequent eligibility for disability or
15 old-age insurance benefits, unless, prior to the month in
16 which such eligibility begins, there occurs a period of at
17 least 12 consecutive months for which he was not entitled
18 to a disability or an old-age insurance benefit.

19 “(ii) If an individual to which this paragraph applies
20 is living with a child (of such individual or his or her
21 spouse) under the age of 3 in any calendar year which
22 is included in such individual’s elapsed years, but which
23 is not disregarded pursuant to subparagraphs (A)(i) and
24 (B) by reason of the reduction in the number of such indi-
25 vidual’s elapsed years under subparagraph (B), the num-

ber by which the number of such elapsed years is reduced under subparagraph (B) shall be increased by one (up to a combined total not exceeding 3) for each such calendar year, except that—

“(I) no calendar year shall be disregarded by reason of this clause (in determining elapsed years to be taken into account under subparagraph (A)(i)) unless the individual was living with such child substantially throughout the period in which the child was alive and under the age of 3 in such year and the individual had no earnings as described in section 203(f)(5) in such year,

“(II) the particular calendar years to be disregarded under this clause (in determining such elapsed years) shall be those years (not otherwise disregarded under subparagraph (B)) which, before the application of section 215(f), meet the conditions of subclause (I), and

“(III) this clause shall apply only to the extent that its application would not result in a lower primary insurance amount.

“(D) The reduction in the number of elapsed years taken into account under subparagraph (A)(i) resulting from the application of subparagraphs (B) and (C) shall

1 not in any case reduce the number of elapsed years taken
 2 into account under subparagraph (A)(i) to less than 2.”.

3 (b) CONFORMING AMENDMENT.—Section
 4 215(b)(3)(A) of such Act (42 U.S.C. 415(b)(3)(A)) is
 5 amended by striking “computation base years for purposes
 6 of the selection therefrom of benefit computation years
 7 under paragraph (2)” and inserting “for purposes of para-
 8 graphs (1)(B)(i) and (2)(A)(i)”.

9 (c) EFFECTIVE DATE.—The amendment made by
 10 subsection (a) shall apply with respect to individuals ini-
 11 tially becoming eligible for old-age or disability insurance
 12 benefits, or dying (before becoming eligible for such bene-
 13 fits), in any calendar year after 2008. For purposes of
 14 this subsection, and individual shall be deemed eligible for
 15 a benefit for a month if, upon filing application therefor
 16 in such month, such individual would be entitled to such
 17 benefit for such month.

18 **SEC. 6. ACTUARIAL ADJUSTMENT FOR RETIREMENT.**

19 (a) EARLY RETIREMENT.—

20 (1) IN GENERAL.—Section 202(q) of the Social
 21 Security Act (42 U.S.C. 402(q)) is amended—

22 (A) in paragraph (1)(A), by striking “ $\frac{5}{9}$ ”
 23 and inserting “the applicable old-age benefit
 24 fraction (determined under paragraph
 25 (12)(A))”, and by striking “ $\frac{25}{36}$ ” and inserting

1 “the applicable spousal benefit fraction (deter-
 2 mined under paragraph (12)(B))”; and

3 (B) by adding at the end the following:

4 “(12) For purposes of paragraph (1)(A)—

5 “(A) the ‘applicable old-age benefit fraction’ for
 6 an individual who attains the age of 62 in—

7 “(i) any year before 2004, is $\frac{5}{9}$;

8 “(ii) 2004, is $\frac{7}{12}$;

9 “(iii) 2005, is $\frac{11}{18}$;

10 “(iv) 2006, is $\frac{23}{36}$;

11 “(v) 2007, is $\frac{2}{3}$; and

12 “(vi) 2008 or any succeeding year, is $\frac{25}{36}$;

13 and

14 “(B) the ‘applicable spousal benefit fraction’ for
 15 an individual who becomes eligible for wife’s or hus-
 16 band’s insurance benefits in—

17 “(i) any year before 2004, is $\frac{25}{36}$;

18 “(ii) 2004, is $\frac{13}{18}$;

19 “(iii) 2005, is $\frac{27}{36}$;

20 “(iv) 2006, is $\frac{7}{9}$;

21 “(v) 2007, is $\frac{29}{36}$; and

22 “(vi) 2008 or any succeeding year, is $\frac{5}{6}$.”.

23 (2) MONTHS BEYOND FIRST 36 MONTHS.—Sec-
 24 tion 202(q) of such Act (42 U.S.C. 402(q)(9)) (as
 25 amended by paragraph (1)) is amended—

1 (A) in paragraph (9)(A), by striking “five-
 2 twelfths” and inserting “the applicable fraction
 3 (determined under paragraph (13))”; and

4 (B) by adding at the end the following:

5 “(13) For purposes of paragraph (9)(A), the ‘applica-
 6 ble fraction’ for an individual who becomes eligible for old-
 7 age, wife’s, or husband’s insurance benefits in—

8 “(A) any year before 2004, is $\frac{5}{12}$;

9 “(B) 2004, is $\frac{16}{36}$;

10 “(C) 2005, is $\frac{16}{36}$;

11 “(D) 2006, is $\frac{17}{36}$;

12 “(E) 2007, is $\frac{17}{36}$; and

13 “(F) 2008 or any succeeding year, is $\frac{1}{2}$.”.

14 (3) ELIGIBILITY.—Section 202(q) of such Act
 15 (as amended by the preceding provisions of this sub-
 16 section) is amended further by adding at the end the
 17 following new paragraph:

18 “(14) For purposes of this subsection, an individual
 19 shall be deemed eligible for a benefit for a month if, upon
 20 filing application therefor in such month, such individual
 21 would be entitled to such benefit for such month.”.

22 (4) EFFECTIVE DATE.—The amendments made
 23 by this subsection shall apply to individuals who, in
 24 connection with old-age, wife’s, and husband’s insur-
 25 ance benefits under title II of the Social Security

1 Act, become eligible for such benefits (within the
2 meaning of section 202(q)(14) of such Act (as
3 amended by this subsection) in years after 2003.

4 (b) DELAYED RETIREMENT.—Section 202(w)(6) of
5 the Social Security Act (42 U.S.C. 402(w)(6)) is amend-
6 ed—

7 (1) in subparagraph (C), by striking “and” at
8 the end;

9 (2) in subparagraph (D), by striking “2004.”
10 and inserting “2004 and before 2007;” and

11 (3) by adding at the end the following:

12 “(E) $17\frac{1}{24}$ of 1 percent in the case of an indi-
13 vidual who attains the age of 62 in a calendar year
14 after 2006 and before 2009;

15 “(F) $3\frac{3}{4}$ of 1 percent in the case of an indi-
16 vidual who attains the age of 62 in a calendar year
17 after 2008 and before 2011;

18 “(G) $19\frac{1}{24}$ of 1 percent in the case of an indi-
19 vidual who attains the age of 62 in a calendar year
20 after 2010 and before 2013; and

21 “(H) $5\frac{5}{6}$ of 1 percent in the case of an indi-
22 vidual who attains the age of 62 in a calendar year
23 after 2012.”.

1 **SEC. 7. CPI OVERSTATEMENT.**

2 (a) ANNUAL DECLARATIONS OF CPI OVERSTATE-
3 MENT.—

4 (1) IN GENERAL.—Whenever the Commissioner
5 of the Bureau of Labor Statistics publishes the Con-
6 sumer Price Index for All Urban Consumers for any
7 month ending after the date of the enactment of this
8 Act, such Commissioner shall also publish the CPI
9 overstatement for such month. Not later than No-
10 vember 1, 2004, such Commissioner shall also pub-
11 lish the CPI overstatement for each month prior to
12 the month in which this Act is enacted.

13 (2) DETERMINATION OF CPI OVERSTATE-
14 MENT.—For purposes of paragraph (1), the CPI
15 overstatement for a month is the excess (not less
16 than zero) of—

17 (A) the Consumer Price Index for All
18 Urban Consumers for such month, over

19 (B) the Chained Consumer Price Index for
20 All Urban Consumers published by the Bureau
21 of Labor Statistics for such month (or the most
22 recent prior month for which it was published,
23 based on availability of necessary data).

24 (b) MODIFICATIONS TO COST-OF-LIVING INDEXING
25 OF BENEFITS.—

1 (1) IN GENERAL.—Section 215(i)(1)(G) of the
2 Social Security Act (42 U.S.C. 415(i)(1)(G)) is
3 amended to read as follows:

4 “(G) the Consumer Price Index for a base
5 quarter, a cost-of-living computation quarter, or any
6 other calendar quarter shall be the arithmetical
7 mean of such index for the 3 months in such quar-
8 ter, except that, for purposes of this subparagraph,
9 the Consumer Price Index for a month shall be
10 deemed to be the excess of—

11 “(i) the Consumer Price Index for All
12 Urban Consumers published by the Bureau of
13 Labor Statistics for such month, over

14 “(ii) the CPI overstatement published by
15 the Bureau of Labor Statistics for such
16 month.”.

17 (2) EFFECTIVE DATE.—The amendment made
18 by paragraph (1) shall apply with respect to in-
19 creases under section 215(i) of the Social Security
20 Act effective with the month of December of years
21 after 2004.

22 (c) CONSUMER PRICE INDEX ADJUSTMENTS APPLI-
23 CABLE TO THE INTERNAL REVENUE CODE PROVI-
24 SIONS.—

1 (1) IN GENERAL.—Paragraph (5) of section
2 1(f) of the Internal Revenue Code of 1986 (defining
3 Consumer Price Index) is amended to read as fol-
4 lows:

5 “(5) CONSUMER PRICE INDEX.—For purposes
6 of paragraph (4), the term ‘Consumer Price Index’
7 means the excess of—

8 “(A) the last Consumer Price Index for All
9 Urban Consumers published by the Bureau of
10 Labor Statistics for any month, over

11 “(B) the CPI overstatement published by
12 the Bureau of Labor Statistics for such
13 month.”.

14 (2) LIMITATION ON INCREASES.—Subsection (f)
15 of section 1 of such Code is amended by adding at
16 the end the following new paragraph:

17 “(9) COMPUTATION OF BASE TO REFLECT LIM-
18 TATION ON CPI.—The Secretary shall adjust the
19 number taken into account under paragraph (3)(B)
20 so that any increase which is not taken into account
21 by reason of the CPI overstatement referred to in
22 paragraph (5)(B) shall not be taken into account at
23 any time so as to allow such increase for any pe-
24 riod.”.

1 (d) CORRESPONDING AMENDMENTS TO OTHER PRO-
2 VISIONS UTILIZING THE CONSUMER PRICE INDEX.—

3 (1) IN GENERAL.—For purposes of determining
4 the amount of any cost-of-living adjustment which
5 takes effect for benefits payable after December 31,
6 2004, with respect to any benefit described in para-
7 graph (4)—

8 (A) any increase in the Consumer Price
9 Index effective for any month (determined with-
10 out regard to this subsection) shall be reduced
11 (to not less than zero) by the CPI overstate-
12 ment (published by the Bureau of Labor Statis-
13 tics) for such month, and

14 (B) the amount of the increase in such
15 benefit shall be equal to the product of—

16 (i) the increase in the Consumer Price
17 Index (as reduced under subparagraph
18 (A)), and

19 (ii) the average such benefit for the
20 preceding calendar year under the program
21 described in paragraph (5) which provides
22 such benefit.

23 (2) PARAGRAPH (1) TO APPLY ONLY TO COM-
24 PUTATION OF BENEFIT AMOUNTS.—Paragraph (1)
25 shall apply only for purposes of determining the

1 amount of benefits and not for purposes of deter-
2 mining—

3 (A) whether a threshold increase in the
4 Consumer Price Index has been met, or

5 (B) increases in amounts under other pro-
6 visions of law not described in paragraph (5)
7 which operate by reference to increases in such
8 benefits.

9 (3) DEFINITION.—For purposes of this sub-
10 section, the term “cost of living adjustment” means
11 any adjustment in the amount of benefits described
12 in paragraph (5) which is determined by reference to
13 changes in the Consumer Price Index.

14 (4) BENEFITS TO WHICH SUBSECTION AP-
15 PLIES.—For purposes of this subsection, the benefits
16 described in this paragraph are—

17 (A) retired and retainer pay subject to ad-
18 justment under section 1401a of title 10,
19 United States Code;

20 (B) civil service retirement benefits under
21 section 8340 of title 5, United States Code, for-
22 eign service retirement benefits under section
23 826 of the Foreign Service Act of 1980, Central
24 Intelligence Agency retirement benefits under
25 part J of the Central Intelligence Agency Re-

1 tirement Act of 1964 for certain employees, and
 2 any other benefits under any similar provision
 3 under any retirement system for employees of
 4 the government of the United States;

5 (C) Federal workers' compensation under
 6 section 8146a of title 5, United States Code;

7 (D) benefits under section 3(a), 4(a), or
 8 4(f) of the Railroad Retirement Act of 1974;
 9 and

10 (E) benefits and expenditure limits under
 11 title XVIII or XIX of the Social Security Act.

12 (5) BENEFIT.—For purposes of this section,
 13 the term “benefit” includes a payment.

14 (e) RECAPTURE TO FEDERAL OLD-AGE AND SUR-
 15 VIVORS INSURANCE TRUST FUND.—Section 201 of the
 16 Social Security Act (42 U.S.C. 401) is amended by adding
 17 at the end the following new subsection:

18 “(n) On July 1 of each calendar year specified in the
 19 following table, the Secretary of the Treasury shall trans-
 20 fer, from the general fund of the Treasury to the Federal
 21 Old-Age and Survivors Insurance Trust Fund, an amount
 22 equal to the applicable percentage for such year, specified
 23 in such table, of the total wages paid in and self-employ-
 24 ment income credited to such year.

“For a calendar year—	The applicable percentage for the year is—
After 2004 and before 2006	0.02

“For a calendar year—	The applicable percentage for the year is—
After 2005 and before 2007	0.04
After 2006 and before 2008	0.10
After 2007 and before 2009	0.12
After 2008 and before 2010	0.13
After 2009 and before 2011	0.20
After 2010 and before 2012	0.24
After 2011 and before 2013	0.29
After 2012 and before 2019	0.33
After 2018 and before 2043	0.39
After 2042 and before 2063	0.47
After 2062	0.57.”.

1 **SEC. 8. ADJUSTMENTS TO BEND POINTS IN DETERMINING**
2 **PRIMARY INSURANCE AMOUNTS.**

3 (a) ADDITIONAL BEND POINT.—Section
4 215(a)(1)(A) of the Social Security Act (42 U.S.C.
5 415(a)(1)(A)) is amended to read as follows:

6 “(a)(1)(A)(i) Subject to clause (ii), the primary in-
7 surance amount of an individual shall (except as otherwise
8 provided in this section) be equal to the sum of—

9 “(I) 90 percent of the individual’s average in-
10 dexed monthly earnings (determined under sub-
11 section (b)) to the extent that such earnings do not
12 exceed the amount established for purposes of this
13 subclause by subparagraph (B),

14 “(II) 70 percent of the individual’s average in-
15 dexed monthly earnings to the extent that such
16 earnings exceed the amount established for purposes
17 of subclause (I) but do not exceed the amount estab-
18 lished for purposes of this subclause by subpara-
19 graph (B),

1 “(III) 20 percent of the individual’s average in-
 2 dexed monthly earnings to the extent that such
 3 earnings exceed the amount established for purposes
 4 of subclause (II) but do not exceed the amount es-
 5 tablished for purposes of this subclause by subpara-
 6 graph (B), and

7 “(IV) 10 percent of the individual’s average in-
 8 dexed monthly earnings to the extent that such
 9 earnings exceed the amount established for purposes
 10 of this clause by subparagraph (B).

11 “(ii) In the case of individuals becoming eligible for
 12 old-age or disability insurance benefits, or dying (before
 13 becoming eligible for such benefits), in any calendar year
 14 after 2005 and before 2016—

15 “(I) In lieu of the percentage specified in sub-
 16 clause (II) of clause (i), the applicable percentage
 17 set forth in the following table in connection with
 18 such calendar year shall apply:

“If the calendar year is:	The applicable percentage is:
2006	35.8
2007	39.6
2008	43.4
2009	47.2
2010	51.0
2011	54.8
2012	58.6
2013	62.4
2014	66.2.

19 “(II) In lieu of the percentage specified in sub-
 20 clause (III) of clause (i), the applicable percentage

1 set forth in the following table in connection with
 2 such calendar year shall apply:

“If the calendar year is:	The applicable percentage is:
2006	30.8
2007	29.6
2008	28.4
2009	27.2
2010	26.0
2011	24.8
2012	23.6
2013	22.4
2014	21.2.

3 “(III) In lieu of the percentage specified in sub-
 4 clause (IV) of clause (i), the applicable percentage
 5 set forth in the following table in connection with
 6 such calendar year shall apply:

“If the calendar year is:	The applicable percentage is:
2006	14.5
2007	14.0
2008	13.5
2009	12.5
2010	12.0
2011	11.5
2012	11.0
2013	10.5
2014	21.2.”.

7 (b) INITIAL LEVEL OF ADDITIONAL BEND POINT.—
 8 Section 215(a)(1)(B) of such Act (42 U.S.C.
 9 415(a)(1)(B)) is amended—

10 (1) in clause (i), by inserting “(as then in ef-
 11 fect)” after “subparagraph (A)”, and by adding at
 12 the end the following new sentence: “For individuals
 13 who initially become eligible for old-age or disability
 14 insurance benefits, or who die (before becoming eli-
 15 gible for such benefits) after 2005, such dollar

1 amounts shall be deemed to have been so established
2 in 1979 for purposes of subclauses (I) and (III) of
3 subparagraph (A)(i), respectively, as in effect with
4 respect to such individuals.”;

5 (2) by redesignating clause (iii) as clause (iv);

6 (3) by inserting after clause (ii) the following
7 new clause:

8 “(iii) For individuals who initially become eligible for
9 old-age or disability insurance benefits, or who die (before
10 becoming eligible for such benefits), in any calendar year
11 after 2005, the amount established for purposes of clause
12 (ii) of subparagraph (A) for such calendar year after 2005
13 shall be 183.8 percent of the amount established for pur-
14 poses of clause (i) for such calendar year.”; and

15 (4) in clause (iv) (as redesignated by paragraph
16 (1)), by striking “clause (ii)” and inserting “clauses
17 (ii) and (iii)”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply with respect to individuals becom-
20 ing eligible for old-age insurance benefits or disability in-
21 surance benefits, or dying (before becoming eligible for
22 such benefits), after 2005.

1 **SEC. 9. ADJUSTMENT TO BENEFIT FORMULA FACTORS.**

2 Section 215(a)(1)(B) of the Social Security Act (42
3 U.S.C. 415(a)(1)(B)) (as amended by section 8) is amend-
4 ed further—

5 (1) by redesignating clause (iv) as clause (vii);
6 and

7 (2) by inserting after clause (iii) the following:

8 “(iv) For an individual who initially becomes eligible
9 for old-age insurance benefits, or who dies (before becom-
10 ing eligible for such benefits or disability insurance bene-
11 fits), in any calendar year after 2011, each of the amounts
12 otherwise established for purposes of clauses (i), (ii), and
13 (iii) of subparagraph (A) under this subparagraph shall
14 be substituted with the product derived by successively
15 multiplying, once for each year of the factoring period for
16 such individual—

17 “(I) such amount (after applying this clause for
18 earlier years of the factoring period), by

19 “(II) the designated factor for such year.

20 “(v) For purposes of clause (iii), the term ‘factoring
21 period’ means, for an individual, the period beginning with
22 2012 and ending with the earlier of—

23 “(I) the year of the individual’s initial eligibility
24 or death, or

25 “(II) 2060.

1 “(vi) For purposes of clause (iii), the term ‘des-
2 ignated factor’ means—

3 “(I) for a year prior to 2031, 0.975, except
4 that, for any such year, such factor shall be 1.000
5 with respect to amounts otherwise established for
6 purposes of clause (i) of subparagraph (A) under
7 this subparagraph, and

8 “(II) for a year after 2030, 0.985.”.

9 **SEC. 10. MODIFICATION TO PIA FORMULA TO REFLECT**
10 **CHANGES TO LIFE EXPECTANCY.**

11 (a) IN GENERAL.—Section 215(a)(1) of the Social
12 Security Act (42 U.S.C. 415(a)(1)(B)) is amended by re-
13 designating subparagraph (C) and (D) as subparagraphs
14 (D) and (E), respectively, and by inserting after subpara-
15 graph (B) the following new subparagraph:

16 “(C)(i) For individuals who initially become eligible
17 for old-age insurance benefits (or who die before becoming
18 eligible for such benefits) in any calendar year after 2011,
19 the primary insurance amount computed under this para-
20 graph shall be the product derived by multiplying such
21 amount as computed under the preceding subparagraphs
22 of this paragraph by the life expectancy ratio for such cal-
23 endar year.

24 “(ii) The Commissioner of Social Security, using gen-
25 erally accepted actuarial principles, shall determine and

1 publish in the Federal Register on or before November 1
2 of each calendar year the life expectancy ratio for the fol-
3 lowing calendar year.

4 “(iii) For purposes of clause (ii), the life expectancy
5 ratio for any calendar year is the ratio of—

6 “(I) the period life expectancy of an individual
7 attaining age 62 on January 1, 2008, to

8 “(II) the period life expectancy of an individual
9 attaining age 62 on January 1 of the third calendar
10 year preceding the calendar year in which the deter-
11 mination under clause (ii) is made.”.

12 (b) STUDY OF THE EFFECT OF INCREASES IN LIFE
13 EXPECTANCY.—

14 (1) STUDY PLAN.—Not later than February 15,
15 2005, the Commissioner of Social Security shall sub-
16 mit to Congress a detailed study plan for evaluating
17 the effects of increases in life expectancy on the ex-
18 pected level of retirement income from social secu-
19 rity, pensions, and other sources. The study plan
20 shall include a description of the methodology, data,
21 and funding that will be required in order to provide
22 to the Congress not later than February 15, 2008—

23 (A) an evaluation of trends in mortality
24 and their relationship to trends in health sta-
25 tus, among individuals approaching eligibility

1 for old-age insurance benefits under title II of
2 the Social Security Act;

3 (B) an evaluation of trends in labor force
4 participation among individuals approaching eli-
5 gibility for such benefits and among individuals
6 receiving such benefits, and of the factors that
7 influence the choice between retirement and
8 participation in the labor force;

9 (C) an evaluation of changes, if any, in the
10 disability insurance program under title II of
11 the Social Security Act that would reduce the
12 impact of changes in the retirement income of
13 workers in poor health or physically demanding
14 occupations;

15 (D) an evaluation of the methodology used
16 to develop projections for trends in mortality,
17 health status, and labor force participation
18 among individuals approaching eligibility for
19 old-age insurance benefits and among individ-
20 uals receiving such benefits; and

21 (E) an evaluation of such other matters as
22 the Commissioner deems appropriate for evalu-
23 ating the effects of increases in life expectancy.

24 (2) REPORT ON RESULTS OF STUDY.—Not later
25 than February 15, 2008, the Commissioner of Social

1 Security shall provide to the Congress an evaluation
 2 of the implications of the trends studied under para-
 3 graph (1), along with recommendations, if any, of
 4 the extent to which the conclusions of such evalua-
 5 tions indicate that projected increases in life expect-
 6 ancy require modification in the disability insurance
 7 program under title II of the Social Security Act
 8 and other income support programs.

9 **SEC. 11. TREATMENT OF DISABLED BENEFICIARIES.**

10 Section 215(a) of the Social Security Act (42 U.S.C.
 11 415(a)) is amended by adding at the end the following
 12 new paragraph:

13 “(8)(A) Notwithstanding the preceding provisions of
 14 this subsection, in the case of an individual who has or
 15 has had a period of disability and becomes entitled to old-
 16 age insurance benefits under section 202(a) (or dies) in
 17 or after 2006, the primary insurance amount of such indi-
 18 vidual shall be the sum of—

19 “(i) the amount determined under subpara-
 20 graph (B), and

21 “(ii) the product derived by multiplying—

22 “(I) the excess of the amount determined
 23 under subparagraph (C) over the amount deter-
 24 mined under subparagraph (B), by

1 “(II) the adjustment factor for such indi-
2 vidual determined under subparagraph (D).

3 “(B) The amount determined under this subpara-
4 graph is the amount of such individual’s primary insur-
5 ance amount as determined under this section without re-
6 gard to this paragraph.

7 “(C) The amount determined under this subpara-
8 graph is the amount of such individual’s primary insur-
9 ance amount as determined under this section as in effect
10 with respect to individuals becoming eligible for old-age
11 or disability insurance benefits under section 202(a) in
12 2004.

13 “(D) The adjustment factor determined under this
14 subparagraph for any individual is the ratio (not greater
15 than 1) of—

16 “(i) the number of months, preceding the ear-
17 lier of such individual’s first month of entitlement to
18 old-age insurance benefits under section 202(a) or
19 the month of such individual’s death, which occurred
20 during a period of disability of such individual, to

21 “(ii) 480.”.

1 **SEC. 12. MAINTENANCE OF BENEFIT AND CONTRIBUTION**

2 **BASE.**

3 (a) IN GENERAL.—So much of section 230 of the So-
4 cial Security Act (42 U.S.C. 430) as precedes subsection
5 (d) is amended to read as follows:

6 “MAINTENANCE OF BENEFIT AND CONTRIBUTION BASE

7 “SEC. 230. (a) Not later than November 1 of each
8 calendar year (beginning with 2004), the Commissioner
9 shall determine and publish in the Federal Register the
10 contribution and benefit base determined under sub-
11 sections (b) and (c) which shall be effective with respect
12 to remuneration paid after such calendar year and taxable
13 years beginning after such year.

14 “(b) For purposes of this section, and for purposes
15 of determining wages and self-employment income under
16 sections 209, 211, 213, and 215 of this Act and sections
17 54, 1402, 3121, 3122, 3125, 6413, and 6654 of the Inter-
18 nal Revenue Code of 1986—

19 “(1) the ‘contribution and benefit base’ with re-
20 spect to remuneration paid (and taxable years begin-
21 ning)—

22 “(A) in 2005 shall be \$90,225,

23 “(B) in 2006 shall be \$110,550,

24 “(C) in 2007 shall be \$121,875, and

25 “(D) in 2008 shall be \$133,200, and

1 “(2) the ‘contribution and benefit base’ with re-
2 spect to remuneration paid (and taxable years begin-
3 ning) in any calendar year after 2008 shall be equal
4 to the dollar amount equal to the lowest amount
5 which, if applied under this title as the benefit and
6 contribution base for the preceding year, would have
7 caused the total untaxed covered remuneration for
8 such year to constitute at least 13 percent of the
9 total amount of wages paid, and self-employment in-
10 come derived, in such year by all individuals.

11 Each contribution and benefit base determined under
12 paragraph (2) shall (if not a multiple of \$25) be rounded
13 to the nearest multiple of \$25.

14 “(c) For purposes of this section, the term ‘total
15 untaxed covered remuneration’ for a calendar year means
16 the total amount of wages paid to, and self-employment
17 income derived by, all individuals in such calendar year,
18 which was, with respect to each individual paid such wages
19 and deriving such self-employment income, in excess of the
20 contribution and benefit base for that calendar year.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to remuneration paid in (and tax-
23 able years beginning in) any calendar year after 2004.

1 **SEC. 13. ACCELERATION OF INCREASE IN SOCIAL SECU-**
2 **RITY ELIGIBILITY AGE.**

3 Section 216(l) of the Social Security Act (42 U.S.C.
4 416(l) is amended—

5 (1) in paragraph (1), by striking subparagraphs
6 (A), (B), (C), (D), and (E) and inserting the fol-
7 lowing:

8 “(A) with respect to an individual who attains
9 early retirement age (as defined in paragraph (2))
10 before January 1, 2000, 65 years of age; and

11 “(B) with respect to an individual who attains
12 early retirement age after December 31, 1999, and
13 before January 1, 2012, 65 years of age plus $\frac{2}{12}$ of
14 the number of months in the period beginning with
15 January 2000 and ending with December of the
16 year in which the individual attains early retirement
17 age; and

18 “(C) with respect to an individual who attains
19 early retirement age after December 31, 2011, 67
20 years of age.”; and

21 (2) by striking paragraph (3).

22 **SEC. 14. MECHANISM FOR REMEDYING UNFORESEEN DETE-**
23 **RIORATION IN SOCIAL SECURITY SOLVENCY.**

24 (a) IN GENERAL.—Section 709 of the Social Security
25 Act (42 U.S.C. 910) is amended—

1 (1) by redesignating subsection (b) as sub-
2 section (c); and

3 (2) by striking “SEC. 709. (a) If the Board of
4 Trustees” and all that follows through “any such
5 Trust Fund” and inserting the following:

6 “SEC. 709. (a)(1)(A) If the Board of Trustees of the
7 Federal Old-Age and Survivors Insurance Trust Fund and
8 the Federal Disability Insurance Trust Fund determines
9 at any time, using intermediate actuarial assumptions,
10 that the balance ratio of either such Trust Fund for any
11 calendar year during the succeeding period of 75 calendar
12 years will be zero, the Board shall promptly submit to each
13 House of the Congress and to the President a report set-
14 ting forth its recommendations for statutory adjustments
15 affecting the receipts and disbursements of such Trust
16 Fund necessary to maintain the balance ratio of such
17 Trust Fund at not less than 20 percent, with due regard
18 to the economic conditions which created such inadequacy
19 in the balance ratio and the amount of time necessary to
20 alleviate such inadequacy in a prudent manner. The report
21 shall set forth specifically the extent to which benefits
22 would have to be reduced, taxes under section 1401, 3101,
23 or 3111 of the Internal Revenue Code of 1986 would have
24 to be increased, or a combination thereof, in order to ob-
25 tain the objectives referred to in the preceding sentence.

1 “(B) In addition to any reports under subparagraph
2 (A), the Board shall, not later than May 30, 2001, prepare
3 and submit to Congress and the President recommenda-
4 tions for statutory adjustments to the disability insurance
5 program under title II of this Act to modify the changes
6 in disability benefits under the 21st Century Retirement
7 Security Act without reducing the balance ratio of the
8 Federal Disability Insurance Trust Fund. The Board shall
9 develop such recommendations in consultation with the
10 National Council on Disability, taking into consideration
11 the adequacy of benefits under the program, the relation-
12 ship of such program with old age benefits under such
13 title, and changes in the process for determining initial
14 eligibility and reviewing continued eligibility for benefits
15 under such program.

16 “(2)(A) The President shall, no later than 30 days
17 after the submission of the report to the President, trans-
18 mit to the Board and to the Congress a report containing
19 the President’s approval or disapproval of the Board’s rec-
20 ommendations.

21 “(B) If the President approves all the recommenda-
22 tions of the Board, the President shall transmit a copy
23 of such recommendations to the Congress as the Presi-
24 dent’s recommendations, together with a certification of
25 the President’s adoption of such recommendations.

1 “(C) If the President disapproves the recommenda-
2 tions of the Board, in whole or in part, the President shall
3 transmit to the Board and the Congress the reasons for
4 that disapproval. The Board shall then transmit to the
5 Congress and the President, no later than 60 days after
6 the date of the submission of the original report to the
7 President, a revised list of recommendations.

8 “(D) If the President approves all of the revised rec-
9 ommendations of the Board transmitted to the President
10 under subparagraph (C), the President shall transmit a
11 copy of such revised recommendations to the Congress as
12 the President’s recommendations, together with a certifi-
13 cation of the President’s adoption of such recommenda-
14 tions.

15 “(E) If the President disapproves the revised rec-
16 ommendations of the Board, in whole or in part, the Presi-
17 dent shall transmit to the Board and the Congress the
18 reasons for that disapproval, together with such revisions
19 to such recommendations as the President determines are
20 necessary to bring such recommendations within the
21 President’s approval. The President shall transmit a copy
22 of such recommendations, as so revised, to the Board and
23 the Congress as the President’s recommendations, to-
24 gether with a certification of the President’s adoption of
25 such recommendations.

1 “(3)(A) This paragraph is enacted by Congress—

2 “(i) as an exercise of the rulemaking power of
3 the Senate and the House of Representatives, re-
4 spectively, and as such it is deemed a part of the
5 rules of each House, respectively, but applicable only
6 to the extent that it is inconsistent with such rules;
7 and

8 “(ii) with full recognition of the constitutional
9 right of either House to change the rules (so far as
10 relating to the procedure of that House) at any time,
11 in the same manner, and to the same extent as in
12 the case of any other rule of that House.

13 “(B) For purposes of this paragraph, the term ‘joint
14 resolution’ means only a joint resolution which is intro-
15 duced within the 10-day period beginning on the date on
16 which the President transmits the President’s rec-
17 ommendations, together with the President’s certification,
18 to the Congress under subparagraph (B), (D), or (E) of
19 paragraph (2), and—

20 “(i) which does not have a preamble;

21 “(ii) the matter after the resolving clause of
22 which is as follows: ‘That the Congress approves the
23 recommendations of the President as transmitted on
24 _____ pursuant to section 709(a) of the So-
25 cial Security Act, as follows:_____’, the

1 first blank space being filled in with the appropriate
2 date and the second blank space being filled in with
3 the statutory adjustments contained in the rec-
4 ommendations; and

5 “(iii) the title of which is as follows: ‘Joint reso-
6 lution approving the recommendations of the Presi-
7 dent regarding social security.’

8 “(C) A joint resolution described in subparagraph
9 (B) that is introduced in the House of Representatives
10 shall be referred to the Committee on Ways and Means
11 of the House of Representatives. A joint resolution de-
12 scribed in subparagraph (B) introduced in the Senate
13 shall be referred to the Committee on Finance of the Sen-
14 ate.

15 “(D) If the committee to which a joint resolution de-
16 scribed in subparagraph (B) is referred has not reported
17 such joint resolution (or an identical joint resolution) by
18 the end of the 20-day period beginning on the date on
19 which the President transmits the recommendation to the
20 Congress under paragraph (2), such committee shall be,
21 at the end of such period, discharged from further consid-
22 eration of such joint resolution, and such joint resolution
23 shall be placed on the appropriate calendar of the House
24 involved.

1 “(E)(i) On or after the third day after the date on
2 which the committee to which such a joint resolution is
3 referred has reported, or has been discharged (under sub-
4 paragraph (D)) from further consideration of, such a joint
5 resolution, it is in order (even though a previous motion
6 to the same effect has been disagreed to) for any Member
7 of the respective House to move to proceed to the consider-
8 ation of the joint resolution. A Member may make the mo-
9 tion only on the day after the calendar day on which the
10 Member announces to the House concerned the Member’s
11 intention to make the motion, except that, in the case of
12 the House of Representatives, the motion may be made
13 without such prior announcement if the motion is made
14 by direction of the committee to which the joint resolution
15 was referred. All points of order against the joint resolu-
16 tion (and against consideration of the joint resolution) are
17 waived. The motion is highly privileged in the House of
18 Representatives and is privileged in the Senate and is not
19 debatable. The motion is not subject to amendment, or
20 to a motion to postpone, or to a motion to proceed to the
21 consideration of other business. A motion to reconsider the
22 vote by which the motion is agreed to or disagreed to shall
23 not be in order. If a motion to proceed to the consideration
24 of the joint resolution is agreed to, the respective House
25 shall immediately proceed to consideration of the joint res-

1 olution without intervening motion, order, or other busi-
2 ness, and the joint resolution shall remain the unfinished
3 business of the respective House until disposed of.

4 “(ii) Debate on the joint resolution, and on all debat-
5 able motions and appeals in connection therewith, shall be
6 limited to not more than 2 hours, which shall be divided
7 equally between those favoring and those opposing the
8 joint resolution. An amendment to the joint resolution is
9 not in order. A motion further to limit debate is in order
10 and not debatable. A motion to postpone, or a motion to
11 proceed to the consideration of other business, or a motion
12 to recommit the joint resolution is not in order. A motion
13 to reconsider the vote by which the joint resolution is
14 agreed to or disagreed to is not in order.

15 “(iii) Immediately following the conclusion of the de-
16 bate on a joint resolution described in subparagraph (B)
17 and a single quorum call at the conclusion of the debate
18 if requested in accordance with the rules of the appro-
19 priate House, the vote on final passage of the joint resolu-
20 tion shall occur.

21 “(iv) Appeals from the decisions of the Chair relating
22 to the application of the rules of the Senate or the House
23 of Representatives, as the case may be, to the procedure
24 relating to a joint resolution described in subparagraph
25 (B) shall be decided without debate.

1 “(F)(i) If, before the passage by one House of a joint
2 resolution of that House described in subparagraph (B),
3 that House receives from the other House a joint resolu-
4 tion described in subparagraph (B), then the following
5 procedures shall apply:

6 “(I) The joint resolution of the other House
7 shall not be referred to a committee and may not be
8 considered in the House receiving it except in the
9 case of final passage as provided in subclause (II).

10 “(II) With respect to a joint resolution de-
11 scribed in subparagraph (B) of the House receiving
12 the joint resolution, the procedure in that House
13 shall be the same as if no joint resolution had been
14 received from the other House, but the vote on final
15 passage shall be on the joint resolution of the other
16 House.

17 “(ii) Upon disposition of the joint resolution received
18 from the other House, it shall no longer be in order to
19 consider the joint resolution that originated in the receiv-
20 ing House.

21 “(b) If the Board of Trustees of the Federal Hospital
22 Insurance Trust Fund or the Federal Supplementary
23 Medical Insurance Trust Fund determines at any time
24 that the balance ratio of either such Trust Fund.”.

25 (b) CONFORMING AMENDMENTS.—

1 (1) Section 709(b) of such Act (as amended by
2 subsection (a) of this section) is amended by striking
3 “any such” and inserting “either such”.

4 (2) Section 709(c) of such Act (as redesignated
5 by subsection (a) of this section) is amended by in-
6 serting “or (b)” after “subsection (a)”.

7 **SEC. 15. INCREASE IN WIDOW’S AND WIDOWER’S INSUR-**
8 **ANCE BENEFITS.**

9 (a) WIDOW’S INSURANCE BENEFITS.—Section
10 202(e) of the Social Security Act (42 U.S.C. 402(e)) is
11 amended by adding at the end the following new para-
12 graph:

13 “(10)(A) In any case in which the amount of a wid-
14 ow’s insurance benefit (as determined under the preceding
15 paragraphs of this subsection) for the entitlement month
16 of the widow (or surviving divorced wife) is less than the
17 minimum benefit amount for such month determined
18 under subparagraph (C), the amount of such benefit for
19 such month and each succeeding month shall be increased
20 to such minimum benefit amount (or the amount most re-
21 cently established in lieu thereof under section 215(i)).

22 “(B) For purposes of this paragraph, the term ‘enti-
23 tlement month’ of a widow (or surviving divorced wife)
24 means, in connection with her benefit under this sub-
25 section, the first month of her entitlement to such benefit.

1 “(C) For purposes of subparagraph (A), the min-
2 imum benefit amount determined under this subparagraph
3 for the entitlement month of the widow (or surviving di-
4 vorced wife) is an amount equal to the lesser of—

5 “(i) 75 percent of the sum of—

6 “(I) the imputed deceased individual’s ben-
7 efit for such month, as determined under sub-
8 paragraph (D) or (E) (as applicable), and

9 “(II) the imputed survivor benefit for such
10 month, as determined under subparagraph (F),
11 or

12 “(ii) the increased benefit cap determined under
13 subparagraph (G) for such month.

14 “(D)(i) For purposes of subparagraph (C)(i)(I), if the
15 deceased individual died in a month for which he was not
16 entitled to any benefit under this title based on his wages
17 or self-employment income or the wages and self-employ-
18 ment income of the widow (or surviving divorced wife), the
19 imputed deceased individual’s benefit for the entitlement
20 month of the widow (or surviving divorced wife) is the sum
21 of—

22 “(I) the imputed old-age insurance benefit (de-
23 termined under clause (ii)) of the deceased indi-
24 vidual for her entitlement month (if any), and

1 “(II) the imputed husband’s insurance benefit
2 (determined under clause (iii)) of the deceased indi-
3 vidual for her entitlement month (if any).

4 “(ii) The amount of the imputed old-age insurance
5 benefit of the deceased individual for the entitlement
6 month of the widow (or surviving divorced wife) is the
7 amount of the old-age insurance benefit to which he would
8 have been entitled for such month—

9 “(I) determined, in the case of such a deceased
10 individual who had attained age 62 as of the date
11 of his death, as if he had applied for such benefit
12 in the month of his death and had survived through-
13 out the subsequent period ending with her entitle-
14 ment month, or

15 “(II) determined, in the case of such a deceased
16 individual who died before attaining age 62 but
17 would have attained age 62 before the end of her en-
18 titlement month, as if he had survived throughout
19 the subsequent period ending with her entitlement
20 month, and had applied for such benefit during the
21 first month for which he would have been eligible for
22 such benefit (assuming a primary insurance amount
23 for the deceased individual determined under para-
24 graph (2)(B) of this subsection).

1 For purposes of determining the deceased individual's im-
2 puted old-age insurance benefit under this clause, the de-
3 termination of whether the deceased individual was a fully-
4 insured individual (as defined in section 214(a)) shall be
5 made as of the date of his death. In any case in which
6 the deceased individual died before attaining age 62 and
7 would not have attained age 62 before the end of the enti-
8 tlement month of the widow (or surviving divorced wife),
9 the deceased individual's imputed old-age insurance ben-
10 efit shall be deemed to be zero.

11 “(iii) The amount of the imputed husband's insur-
12 ance benefit of the deceased individual for the entitlement
13 month of the widow (or surviving divorced wife) is the
14 amount of the husband's insurance benefit under sub-
15 section (c) to which he would have been entitled for such
16 month (assuming, for purposes of reduction under sub-
17 section (k)(3)(A), the entitlement to an old-age insurance
18 benefit for such month, if any, as described in clause
19 (ii))—

20 “(I) determined, in the case of such a deceased
21 individual who had attained age 62 as of the date
22 of his death, as if he had applied for such benefit
23 in the month of his death and had survived through-
24 out the subsequent period ending with her entitle-
25 ment month, or

1 “(II) determined, in the case of such a deceased
2 individual who died before attaining age 62 but
3 would have attained age 62 before the end of her en-
4 titlement month, as if he had survived throughout
5 the subsequent period ending with her entitlement
6 month and had applied for such benefit during the
7 first month for which he would have been eligible for
8 such benefit.

9 In any case in which the deceased individual died before
10 he attained age 62 and would not have attained age 62
11 before the end of the entitlement month of the widow (or
12 surviving divorced spouse), the deceased individual’s im-
13 puted husband’s insurance benefit shall be deemed to be
14 zero.

15 “(E)(i) For purposes of subparagraph (C), if the de-
16 ceased individual died during a month for which he other-
17 wise would have been entitled (but for his death) to an
18 old-age insurance benefit under subsection (a) or a dis-
19 ability insurance benefit under section 223, or to a hus-
20 band’s insurance benefit under subsection (c) based on the
21 wages and self-employment income of the widow (or sur-
22 viving divorced wife), the imputed deceased individual’s
23 benefit for the entitlement month of the widow (or sur-
24 viving divorced wife) is the sum of—

1 “(I) the amount of the old-age or disability in-
2 surance benefit (if any) to which he would have been
3 entitled for her entitlement month if he had survived
4 throughout the period subsequent to his death and
5 ending with such month, and

6 “(II) the amount of the husband’s insurance
7 benefit (if any) to which he would have been entitled
8 for her entitlement month based on her wages and
9 self-employment income if he had survived through-
10 out the period subsequent to his death and ending
11 with such month (assuming, for purposes of reduc-
12 tion under subsection (k)(3)(A), the entitlement to
13 an old-age or disability insurance benefit for such
14 month, if any, as described in subclause (I)).

15 “(ii) If the deceased individual otherwise would have
16 been entitled (but for his death) to a disability insurance
17 benefit under section 223 for the month in which he died,
18 the amount determined under clause (i) shall be deter-
19 mined as if he had survived throughout the period com-
20 mencing with the month of his death and ending with the
21 entitlement month of the widow (or surviving divorced
22 wife) and he had remained entitled to disability insurance
23 benefits throughout such period (or until becoming enti-
24 tled to old-age insurance benefits under subsection (a)
25 during such period).

1 “(F) For purposes of subparagraph (C)(i)(II)—

2 “(i) In the case of a widow (or surviving di-
3 vorced wife) who is entitled for her entitlement
4 month to an old-age insurance benefit under sub-
5 section (a) or a disability insurance benefit under
6 section 223, or otherwise would have been entitled
7 (but for the deceased individual’s death) to a wife’s
8 insurance benefit under subsection (b) for such
9 month, the amount of her imputed survivor benefit
10 for such month is the sum of—

11 “(I) the amount of such old-age or dis-
12 ability insurance benefit (if any), and

13 “(II) the amount of such wife’s insurance
14 benefit (if any), assuming, for purposes of re-
15 duction under subsection (k)(3)(A), the entitle-
16 ment to an old-age insurance or disability insur-
17 ance benefit for such month (if any), as de-
18 scribed in subclause (I).

19 “(ii) In the case of a widow (or surviving di-
20 vorced wife) who is not described in clause (i) but
21 has attained (or would attain) age 62 as of the end
22 of her entitlement month, the amount of her im-
23 puted survivor benefit is the sum of—

24 “(I) the amount of the old-age insurance
25 benefit under subsection (a) to which she would

1 be entitled for such month if she filed applica-
2 tion for such benefit during such month, and

3 “(II) the amount to which she otherwise
4 would have been entitled (but for the deceased
5 individual’s death) as a wife’s insurance benefit
6 under subsection (b) for such month, based on
7 the deceased individual’s wages and self-employ-
8 ment income, if she had filed application for
9 such benefit during such month (assuming a
10 primary insurance amount for the deceased in-
11 dividual determined under paragraph (2)(B) of
12 this subsection and assuming, for purposes of
13 reduction under subsection (k)(3)(A), the enti-
14 tlement to an old-age insurance benefit for such
15 month, if any, as described in subclause (I)).

16 In any case in which the widow (or surviving divorced
17 wife) would not attain age 62 before the end of the her
18 entitlement month, her imputed survivor benefit shall be
19 deemed to be zero.

20 “(G) The increased benefit cap determined under this
21 subparagraph for the entitlement month of the widow (or
22 surviving divorced wife) is the amount which would be the
23 amount of a theoretical individual’s old-age insurance ben-
24 efit under subsection (a) (reduced as provided in sub-
25 section (q)) if—

1 “(i) such theoretical individual’s primary insur-
2 ance amount for the first month of entitlement were
3 equal to the average of the primary insurance
4 amounts upon which old-age insurance benefits
5 under subsection (a) are payable for—

6 “(I) in any case in which the entitlement
7 month of the widow (or surviving divorced wife)
8 is the month of December, such month, or

9 “(II) in any other case, the latest month of
10 December preceding such entitlement month,

11 “(ii) such first month of such theoretical indi-
12 vidual’s entitlement to such old-age insurance ben-
13 efit were the entitlement month of the widow (or
14 surviving divorced spouse), and

15 “(iii) the month in which the theoretical indi-
16 vidual attained or would attain retirement age (as
17 defined in section 216(l)) were the month in which
18 the widow (or surviving divorced wife) attained or
19 would attain retirement age (as so defined).

20 “(H) If, in determining the amount of the benefit
21 under this section pursuant to this paragraph, the im-
22 puted old-age insurance benefit or imputed husband’s in-
23 surance benefit of the deceased individual was deemed to
24 be zero pursuant to the last sentence of clause (ii) or (iii)
25 of subparagraph (D), or the imputed survivor benefit of

1 the widow (or surviving divorced wife) was deemed to be
2 zero pursuant to the last sentence of subparagraph (F),
3 effective for any month after the entitlement month of the
4 widow (or surviving divorced wife) in which the deceased
5 individual would have attained age 62 or she attains age
6 62, the Commissioner shall recompute the amount of the
7 benefit under this paragraph by substituting a reference
8 to such later month for each reference in the preceding
9 provisions of this paragraph to her entitlement month.

10 “(I)(i) Any reference in this paragraph to the widow’s
11 insurance benefit (as determined under the preceding
12 paragraphs of this subsection) shall be deemed a reference
13 to such benefit, taking into account all applicable reduc-
14 tions and deductions under this title.

15 “(ii) Any reference in this paragraph to the imputed
16 old-age insurance benefit or imputed husband’s insurance
17 benefit described in subparagraph (D), the old-age insur-
18 ance benefit, disability insurance benefit, or husband’s in-
19 surance benefit described in subparagraph (E), or the old-
20 age insurance benefit, disability insurance benefit, or
21 wife’s insurance benefit described in subparagraph (F)
22 shall be deemed a reference to such benefit, taking into
23 account applicable reductions under this section but dis-
24 regarding reductions or deductions otherwise applicable
25 under this title.

1 “(iii) A widow’s insurance benefit which has been in-
2 creased under this paragraph shall be subject to all reduc-
3 tions and deductions otherwise applicable to widow’s in-
4 surance benefits under this title, except that such benefit
5 shall not be subject to any reduction otherwise applicable
6 under subsection (q)(1).”.

7 (b) WIDOWER’S INSURANCE BENEFITS.—Section
8 202(f) of such Act (42 U.S.C. 402(f)) is amended by add-
9 ing at the end the following new paragraph:

10 “(10)(A) In any case in which the amount of a wid-
11 ower’s insurance benefit (as determined under the pre-
12 ceding paragraphs of this subsection) for the entitlement
13 month of the widower (or surviving divorced husband) is
14 less than the minimum benefit amount for such month de-
15 termined under subparagraph (C), the amount of such
16 benefit for such month and each succeeding month shall
17 be increased to such minimum benefit amount (or the
18 amount most recently established in lieu thereof under
19 section 215(i)).

20 “(B) For purposes of this paragraph, the term ‘enti-
21 tlement month’ of a widower (or surviving divorced hus-
22 band) means, in connection with his benefit under this
23 subsection, the first month of his entitlement to such ben-
24 efit.

1 “(C) For purposes of subparagraph (A), the min-
2 imum benefit amount determined under this subparagraph
3 for the entitlement month of the widower (or surviving di-
4 vorced husband) is an amount equal to the lesser of—

5 “(i) 75 percent of the sum of—

6 “(I) the imputed deceased individual’s ben-
7 efit for such month, as determined under sub-
8 paragraph (D) or (E) (as applicable), and

9 “(II) the imputed survivor benefit for such
10 month, as determined under subparagraph (F),
11 or

12 “(ii) the increased benefit cap determined under
13 subparagraph (G) for such month.

14 “(D)(i) For purposes of subparagraph (C)(i)(I), if the
15 deceased individual died in a month for which she was not
16 entitled to any benefit under this title based on her wages
17 or self-employment income or the wages and self-employ-
18 ment income of the widower (or surviving divorced hus-
19 band), the imputed deceased individual’s benefit for the
20 entitlement month of the widower (or surviving divorced
21 husband) is the sum of—

22 “(I) the imputed old-age insurance benefit (de-
23 termined under clause (ii)) of the deceased indi-
24 vidual for his entitlement month (if any), and

1 “(II) the imputed wife’s insurance benefit (de-
2 termined under clause (iii)) of the deceased indi-
3 vidual for his entitlement month (if any).

4 “(ii) The amount of the imputed old-age insurance
5 benefit of the deceased individual for the entitlement
6 month of the widower (or surviving divorced husband) is
7 the amount of the old-age insurance benefit to which she
8 would have been entitled for such month—

9 “(I) determined, in the case of such a deceased
10 individual who had attained age 62 as of the date
11 of her death, as if she had applied for such benefit
12 in the month of her death and had survived through-
13 out the subsequent period ending with his entitle-
14 ment month, or

15 “(II) determined, in the case of such a deceased
16 individual who died before attaining age 62 but
17 would have attained age 62 before the end of his en-
18 titlement month, as if she had survived throughout
19 the subsequent period ending with his entitlement
20 month, and had applied for such benefit during the
21 first month for which she would have been eligible
22 for such benefit (assuming a primary insurance
23 amount for the deceased individual determined
24 under paragraph (2)(B) of this subsection).

1 For purposes of determining the deceased individual's im-
2 puted old-age insurance benefit under this clause, the de-
3 termination of whether the deceased individual was a fully-
4 insured individual (as defined in section 214(a)) shall be
5 made as of the date of her death. In any case in which
6 the deceased individual died before attaining age 62 and
7 would not have attained age 62 before the end of the enti-
8 tlement month of the widower (or surviving divorced hus-
9 band), the deceased individual's imputed old-age insurance
10 benefit shall be deemed to be zero.

11 “(iii) The amount of the imputed wife's insurance
12 benefit of the deceased individual for the entitlement
13 month of the widower (or surviving divorced husband) is
14 the amount of the wife's insurance benefit under sub-
15 section (b) to which she would have been entitled for such
16 month (assuming, for purposes of reduction under sub-
17 section (k)(3)(A), the entitlement to an old-age insurance
18 benefit for such month, if any, as described in clause
19 (ii))—

20 “(I) determined, in the case of such a deceased
21 individual who had attained age 62 as of the date
22 of her death, as if she had applied for such benefit
23 in the month of her death and had survived through-
24 out the subsequent period ending with his entitle-
25 ment month, or

1 “(II) determined, in the case of such a deceased
2 individual who died before attaining age 62 but
3 would have attained age 62 before the end of his en-
4 titlement month, as if she had survived throughout
5 the subsequent period ending with his entitlement
6 month and had applied for such benefit during the
7 first month for which she would have been eligible
8 for such benefit.

9 In any case in which the deceased individual died before
10 she attained age 62 and would not have attained age 62
11 before the end of the entitlement month of the widower
12 (or surviving divorced husband), the deceased individual’s
13 imputed husband’s insurance benefit shall be deemed to
14 be zero.

15 “(E)(i) For purposes of subparagraph (C), if the de-
16 ceased individual died during a month for which she other-
17 wise would have been entitled (but for her death) to an
18 old-age insurance benefit under subsection (a) or a dis-
19 ability insurance benefit under section 223, or to a wife’s
20 insurance benefit under subsection (b) based on the wages
21 and self-employment income of the widower (or surviving
22 divorced husband), the imputed deceased individual’s ben-
23 efit for the entitlement month of the widower (or surviving
24 divorced husband) is the sum of—

1 “(I) the amount of the old-age or disability in-
2 surance benefit (if any) to which she would have
3 been entitled for his entitlement month if she had
4 survived throughout the period subsequent to her
5 death and ending with such month, and

6 “(II) the amount of the wife’s insurance benefit
7 (if any) to which she would have been entitled for
8 his entitlement month based on his wages and self-
9 employment income if she had survived throughout
10 the period subsequent to her death and ending with
11 such month (assuming, for purposes of reduction
12 under subsection (k)(3)(A), the entitlement to an
13 old-age or disability insurance benefit for such
14 month, if any, as described in subclause (I)).

15 “(ii) If the deceased individual otherwise would have
16 been entitled (but for her death) to a disability insurance
17 benefit under section 223 for the month in which she died,
18 the amount determined under clause (i) shall be deter-
19 mined as if she had survived throughout the period com-
20 mencing with the month of her death and ending with the
21 entitlement month of the widower (or surviving divorced
22 husband) and she had remained entitled to disability in-
23 surance benefits throughout such period (or until becom-
24 ing entitled to old-age insurance benefits under subsection
25 (a) during such period).

1 “(F) For purposes of subparagraph (C)(i)(II)—

2 “(i) In the case of a widower (or surviving di-
3 vorced husband) who is entitled for his entitlement
4 month to an old-age insurance benefit under sub-
5 section (a) or a disability insurance benefit under
6 section 223, or otherwise would have been entitled
7 (but for the deceased individual’s death) to a hus-
8 band’s insurance benefit under subsection (c) for
9 such month, the amount of her imputed survivor
10 benefit for such month is the sum of—

11 “(I) the amount of such old-age or dis-
12 ability insurance benefit (if any), and

13 “(II) the amount of such husband’s insur-
14 ance benefit (if any), assuming, for purposes of
15 reduction under subsection (k)(3)(A), the enti-
16 tlement to an old-age insurance or disability in-
17 surance benefit for such month (if any), as de-
18 scribed in subclause (I).

19 “(ii) In the case of a widower (or surviving di-
20 vorced husband) who is not described in clause (i)
21 but has attained (or would attain) age 62 as of the
22 end of his entitlement month, the amount of his im-
23 puted survivor benefit is the sum of—

24 “(I) the amount of the old-age insurance
25 benefit under subsection (a) to which he would

1 be entitled for such month if he filed applica-
2 tion for such benefit during such month, and

3 “(II) the amount to which he otherwise
4 would have been entitled (but for the deceased
5 individual’s death) as a husband’s insurance
6 benefit under subsection (c) for such month,
7 based on the deceased individual’s wages and
8 self-employment income, if he had filed applica-
9 tion for such benefit during such month (as-
10 suming a primary insurance amount for the de-
11 ceased individual determined under paragraph
12 (2)(B) of this subsection and assuming, for
13 purposes of reduction under subsection
14 (k)(3)(A), the entitlement to an old-age insur-
15 ance benefit for such month, if any, as de-
16 scribed in subclause (I)).

17 In any case in which the widower (or surviving divorced
18 husband) would not attain age 62 before the end of the
19 his entitlement month, his imputed survivor benefit shall
20 be deemed to be zero.

21 “(G) The increased benefit cap determined under this
22 subparagraph for the entitlement month of the widower
23 (or surviving divorced husband) is the amount which
24 would be the amount of a theoretical individual’s old-age

1 insurance benefit under subsection (a) (reduced as pro-
2 vided in subsection (q)) if—

3 “(i) such theoretical individual’s primary insur-
4 ance amount for the first month of entitlement were
5 equal to the average of the primary insurance
6 amounts upon which old-age insurance benefits
7 under subsection (a) are payable for—

8 “(I) in any case in which the entitlement
9 month of the widower (or surviving divorced
10 husband) is the month of December, such
11 month, or

12 “(II) in any other case, the latest month of
13 December preceding such entitlement month,

14 “(ii) such first month of such theoretical indi-
15 vidual’s entitlement to such old-age insurance ben-
16 efit were the entitlement month of the widower (or
17 surviving divorced husband), and

18 “(iii) the month in which the theoretical indi-
19 vidual attained or would attain retirement age (as
20 defined in section 216(l)) were the month in which
21 the widower (or surviving divorced husband) at-
22 tained or would attain retirement age (as so de-
23 fined).

24 “(H) If, in determining the amount of the benefit
25 under this section pursuant to this paragraph, the im-

1 puted old-age insurance benefit or imputed wife's insur-
2 ance benefit of the deceased individual was deemed to be
3 zero pursuant to the last sentence of clause (ii) or (iii)
4 of subparagraph (D), or the imputed survivor benefit of
5 the widower (or surviving divorced husband) was deemed
6 to be zero pursuant to the last sentence of subparagraph
7 (F), effective for any month after the entitlement month
8 of the widower (or surviving divorced husband) in which
9 the deceased individual would have attained age 62 or he
10 attains age 62, the Commissioner shall recompute the
11 amount of the benefit under this paragraph by sub-
12 stituting a reference to such later month for each ref-
13 erence in the preceding provisions of this paragraph to her
14 entitlement month.

15 “(I)(i) Any reference in this paragraph to the wid-
16 ower's insurance benefit (as determined under the pre-
17 ceding paragraphs of this subsection) shall be deemed a
18 reference to such benefit, taking into account all applicable
19 reductions and deductions under this title.

20 “(ii) Any reference in this paragraph to the imputed
21 old-age insurance benefit or imputed wife's insurance ben-
22 efit described in subparagraph (D), the old-age insurance
23 benefit, disability insurance benefit, or wife's insurance
24 benefit described in subparagraph (E), or the old-age in-
25 surance benefit, disability insurance benefit, or husband's

1 insurance benefit described in subparagraph (F) shall be
 2 deemed a reference to such benefit, taking into account
 3 applicable reductions under this section but disregarding
 4 reductions or deductions otherwise applicable under this
 5 title.

6 “(iii) A widower’s insurance benefit which has been
 7 increased under this paragraph shall be subject to all re-
 8 ductions and deductions otherwise applicable to widower’s
 9 insurance benefits under this title, except that such benefit
 10 shall not be subject to any reduction otherwise applicable
 11 under subsection (q)(1).”.

12 (c) COST-OF-LIVING ADJUSTMENTS TO GUARANTEED
 13 WIDOW’S AND WIDOWER’S INSURANCE BENEFITS.—Sec-
 14 tion 215(i)(2)(A)(ii) of such Act (42 U.S.C.
 15 415(i)(2)(A)(ii)) is amended—

16 (1) in subclause (II), by striking “and” at the
 17 end;

18 (2) in subclause (III), by striking “1978.” and
 19 inserting “1979, and”;

20 (3) by adding at the end the following new sub-
 21 clause:

22 “(IV) the benefit amount to which an individual
 23 is entitled for that month under subsection (e) or (f)
 24 of section 202 if such benefit amount has been in-

1 creased under paragraph (10) of such subsection.”;
 2 and

3 (4) in the matter following subclause (IV)
 4 (added by paragraph (3)), by striking “(I), (II), and
 5 (III)” and inserting “(I), (II), (III), and (IV)”.

6 (d) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply with respect to widow’s and wid-
 8 ower’s insurance benefits for months after November
 9 2005.

10 **SEC. 16. LIMITATION ON BENEFITS OF MARRIED COUPLE**
 11 **TO LEVEL OF MAXIMUM WORKER BENEFITS.**

12 (a) WIFE’S INSURANCE BENEFITS.—Section
 13 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))
 14 is amended to read as follows:

15 “(2) Except as provided in subsection (q) and para-
 16 graph (4) of this subsection, such wife’s insurance benefit
 17 for each month shall be equal to the excess (not less than
 18 zero) of—

19 “(A) 150 percent of her husband’s primary in-
 20 surance amount, over

21 “(B) the primary insurance amount for such
 22 month of a hypothetical individual who is entitled to
 23 old-age insurance insurance benefits for such month,
 24 who became entitled to such benefit upon attaining
 25 age 62 during the month in which her husband be-

1 came entitled to old-age insurance benefits, and to
2 whom wages and self-employment income were cred-
3 ited in each of such hypothetical individual's elapsed
4 years (within the meaning of section
5 215(b)(2)(B)(iii)) in an amount equal to the max-
6 imum amount includible under this title as wages
7 and self-employment income for such year.”.

8 (b) HUSBAND'S INSURANCE BENEFITS.—Section
9 202(c)(2) of such Act (42 U.S.C. 402(c)(2)) is amended
10 to read as follows:

11 “(2) Except as provided in subsection (q) and para-
12 graph (4) of this subsection, such husband's insurance
13 benefit for each month shall be equal to the excess (not
14 less than zero) of—

15 “(A) 150 percent of his wife's primary insur-
16 ance amount, over

17 “(B) the primary insurance amount for such
18 month of a hypothetical individual who is entitled to
19 old-age insurance insurance benefits for such month,
20 who became entitled to such benefit upon attaining
21 age 62 during the month in which his wife became
22 entitled to old-age insurance benefits, and to whom
23 wages and self-employment income were credited in
24 each of such hypothetical individual's elapsed years
25 (within the meaning of section 215(b)(2)(B)(iii)) in

1 an amount equal to the maximum amount includible
2 under this title as wages and self-employment in-
3 come for such year.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply with respect to benefits for months
6 after November 2004.

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